RAIFFEISEN BANK INTERNATIONAL AG

ANNUAL FINANCIAL STATEMENTS 2021

Raiffeisen Bank International
Member of RBI Group

Content

In this report, Raiffeisen Bank International (RBI AG) refers to the to Raiffeisen Bank International AG.
This report is a translation of the original report in German, which is solely valid.

Annual financial statements

Statement of financial position

	ASSETS	31/12/2021 in €	31/12/2020 in € thousand
1.	Cash in hand and balances with central banks	16,563,588,611.78	15,770,580
2.	Treasury bills and other bills eligible for refinancing with central banks	5,457,278,493.24	5,211,743
3.	Loans and advances to credit institutions	10,933,167,186.97	11,789,129
	a) Repayable on demand	1,294,593,576.77	1,791,513
	b) Other loans and advances	9,638,573,610.20	9,997,616
4.	Loans and advances to customers	31,778,841,213.88	28,965,211
5.	Debt securities and other fixed-income securities	3,642,531,849.88	3,491,663
	a) Issued by public bodies	176,758,603.94	257,112
	b) Issued by other borrowers	3,465,773,245.94	3,234,551
	hereof: own debt securities	1,344,005,994.32	1,354,223
6.	Shares and other variable-yield securities	507,019,073.54	485,665
7.	Participating interests	52,489,366.19	62,154
	hereof: in credit institutions	16,653,238.78	27,117
8.	Shares in affiliated undertakings	10,707,509,761.02	10,511,643
	hereof: in credit institutions	1,895,700,291.78	1,895,574
9.	Intangible assets	33,952,699.95	38,495
10.	Tangible assets	18,148,420.14	17,746
11.	Other assets	3,164,540,659.22	2,964,477
12.	Accruals and deferred income	149,460,166.17	173,941
13.	Deferred tax assets	481,166.76	168
	Total	**83,009,008,668.74**	**79,482,613.25**

	LIABILITIES	31/12/2021 in €	31/12/2020 in € thousand
1.	Liabilities to credit institutions	35,764,017,510.42	33,499,252
	a) Repayable on demand	3,765,261,181.09	4,124,685
	b) With agreed maturity dates or periods of notice	31,998,756,329.33	29,374,566
2.	Liabilities to customers	22,461,732,353.16	21,322,851
	a) Savings deposits	0.00	0
	b) Other liabilities	22,461,732,353.16	21,322,851
	aa) Repayable on demand	9,721,565,306.78	8,282,164
	bb) With agreed maturity dates or periods of notice	12,740,167,046.38	13,040,687
3.	Securitised liabilities	7,934,167,105.12	8,049,011
	a) Debt securities issued	6,612,904,494.23	6,676,423
	b) Other securitised liabilities	1,321,262,610.89	1,372,588
4.	Other liabilities	2,512,340,448.06	2,687,538
5.	Accruals and deferred income	193,973,034.20	162,323
6.	Provisions	741,999,045.55	457,022
	a) Provisions for severance payments	67,038,206.94	75,611
	b) Provisions for pensions	67,747,898.36	75,447
	c) Provisions for taxation	7,508,984.67	6,409
	d) Other	599,703,955.58	299,554
7.	Supplementary capital pursuant to chapter 4 of title I of part 2 of regulation (EU) no 575/2013	2,712,617,184.49	2,791,732
8.	Additional Tier 1 capital pursuant to chapter 3 of title I of part 2 of regulation (EU) no 575/2013	1,654,264,436.14	1,654,264
9.	Subscribed capital	1,002,283,121.85	1,002,283
	a) Share capital	1,003,265,844.05	1,003,266
	b) Nominal value of own shares	(982,722.20)	(983)
10.	Capital reserves	4,431,352,336.41	4,431,352
	a) Committed	4,334,285,937.61	4,334,286
	b) Uncommitted	97,066,398.80	97,066
	c) Option reserve	0.00	0
11.	Retained earnings	2,685,165,006.88	2,409,252
	a) Legal reserve	5,500,000.00	5,500
	b) Other reserves	2,679,665,006.88	2,403,752
12.	Liability reserve pursuant to article 57 (5)	535,097,489.59	535,097
13.	Net profit for the year	379,999,596.87	480,635
	Total	**83,009,008,668.74**	**79,482,613.25**

Items off the statement of financial position

	ASSETS	31/12/2021 in €	31/12/2020 in € thousand
1.	Foreign assets	44,337,750,723.80	36,554,447

	LIABILITIES	31/12/2021 in €	31/12/2020 in € thousand
1.	Contingent liabilities	7,436,705,654.11	5,902,444
	Guarantees and assets pledged as collateral security	7,436,705,654.11	5,902,444
2.	Commitments	18,850,114,771.02	15,955,549
	hereof: liabilities from repurchase agreements		
3.	Commitments arising from agengy services	215,895,691.45	219,686
4.	Eligible own funds according to part 2 of regulation (EU) no 575/2013	11,822,036,244.20	11,487,837
	hereof: supplementary capital pursuant to chapter 4 of title I of part 2 of regulation EU) no 575/2013	2,042,084,388.33	1,932,672
5.	Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013	47,358,182,719.49	42,509,464
	hereof: capital requirements pursuant to article 92 (1) (a) to (c) of regulation (EU) no 575/2013		
	a) hereof: Common Equity Tier 1 capital ratio pursuant to Article 92 (a)	17.3%	18.7%
	b) hereof: Tier 1 capital ratio pursuant to Article 92 (b)	20.7%	22.5%
	c) hereof: total capital ratio pursuant to Article 92 (c)	25.0%	27.0%
6.	Foreign liabilities	17,174,170,643.64	16,156,050

Income statement

		2021 in €	2020 in € thousand
1.	Interest receivable and similar income	688,163,082.96	795,678
	hereof: from fixed-income securities	41,198,590.33	73,231
2.	Interest payable and similar expenses	(277,775,845.99)	(432,049)
I.	**NET INTEREST INCOME**	**410,387,236.97**	**363,630**
3.	Income from securities and participating interests	841,438,098.47	779,849
	a) Income from shares and other variable-yield securities	32,322,575.78	31,633
	b) Income from participating interests	7,684,564.25	5,638
	c) Income from shares in affiliated undertakings	801,430,958.44	742,579
4.	Commissions receivable	476,732,979.64	367,687
5.	Commissions payable	(163,999,486.08)	(144,300)
6.	Net profit or net loss on financial operations	(186,492,785.15)	148,292
7.	Other operating income	275,287,320.61	227,882
II.	**OPERATING INCOME**	**1,653,353,364.46**	**1,743,039**
8.	General administrative expenses	(793,975,973.40)	(752,442)
	a) Staff costs	(395,715,756.17)	(390,736)
	hereof: aa) Wages and salaries	(310,708,294.15)	(302,056)
	bb) Expenses for statutory social contributions and compulsory contributions related to wages and salaries	(69,377,998.91)	(63,464)
	cc) Other social expenses	(7,224,625.30)	(6,561)
	dd) Expenses for pensions and assistance	(9,865,663.45)	(10,344)
	ee) Allocation/Release of provision for pensions	8,990,870.59	(1,954)
	ff) Expenses for severance payments and contributions to severance funds	(7,530,044.95)	(6,358)
	b) Other administrative expenses	(398,260,217.23)	(361,706)
9.	Value adjustments in respect of asset items 9 and 10	(14,040,494.44)	(12,360)
10.	Other operating expenses	(357,076,256.54)	(248,057)
III.	**OPERATING EXPENSES**	**(1,165,092,724.38)**	**(1,012,859)**
IV.	**OPERATING RESULT**	**488,260,640.08**	**730,180**
11./12.	Net income/expenses from the disposal and valuation of loans and advances and securities classified as current assets	(91,289,638.47)	(94,296)
13./14.	Net income/expenses from the disposal and valuation of securities evaluated as financial investments and of shares in affiliated companies and participating interests	195,171,735.97	(304,799)
V.	**PROFIT ON ORDINARY ACTIVITIES**	**592,142,737.58**	**331,086**
15.	Tax on profit or loss	10,399,571.73	(20,486)
16.	Other taxes not reported under item 15	(23,065,638.27)	(57,453)
17.	Merger gain	0.00	19
VI.	**PROFIT FOR THE YEAR AFTER TAX**	**579,476,671.04**	**253,166**
18.	Changes in reserves	(275,912,891.61)	(104,193)
	hereof: allocation to liability reserve	0.00	0
VII.	**NET INCOME FOR THE YEAR**	**303,563,779.43**	**148,973**
19.	Profit/Loss brought forward	76,435,817.44	331,662
VIII.	**Net profit for the year**	**379,999,596.87**	**480,635**

Notes

General disclosures

Raiffeisen Bank International AG (RBI AG] is registered in the company register at the Commercial Court of Vienna under FN 122119m. Its registered office is at Am Stadtpark 9, 1030 Vienna. The annual financial statements are deposited at the company register court and published in the official journal of the Wiener Zeitung in accordance with the Austrian disclosure regulations.

The annual financial statements for the year ending 31 December 2021 were prepared by the Management Board in accordance with the Austrian Commercial Code (UGB) as amended by the latest version of the Austrian Financial Reporting Amendment Act (RAG), taking into account the special provisions of the Austrian Banking Act (BWG) that apply to credit institutions, including the CRR Regulation 575/2013/EU and the Austrian Stock Corporation Act (AktG).

According to Section 221 (Size categories) of the Austrian Commercial Code (UGB), RBI AG qualifies as a large corporation. It is also a public interest entity pursuant to Section 43 (1a) of the Austrian Banking Act (BWG) in conjunction with Section 189a of the Austrian Commercial Code.

The Raiffeisen Bank International Group (RBI) is a corporate and investment bank for companies in Austria and for large corporate customers in Western Europe. Through its equity participations, RBI has one of the largest networks held by Western banking groups in Central and Eastern Europe (CEE). It transacts business in this region through a network of subsidiary banks, leasing companies and numerous specialized financial service providers with some 1,800 branches. In Austria, RBI holds stakes in companies specializing in housing finance, leasing, asset management, equities and certificates, pension funds, factoring and private banking. RBI's 19 million clients include commercial clients, small and medium-sized entities, private individuals, financial institutions and government entities. In addition, RBI is the lead institution of the Raiffeisen Banking Group Austria (RBG) and serves as the central institution of the Raiffeisen regional banks as defined by the Austrian Banking Act (BWG).

RBI AG also has branch offices in Frankfurt, London, Warsaw, Singapore and Beijing.

As shares in the company are traded on a regulated market within the meaning of Section 1 (2) BörseG (prime market of the Vienna Stock Exchange) and numerous securities issued by Raiffeisen Bank International (RBI AG) are admitted to a regulated market in the Ell, RBI AG has to publish annual consolidated financial statements in accordance with Section 59a of the Austrian Banking Act (BWG) in compliance with International Financial Reporting Standards. These consolidated financial statements are published on the Internet (https://www.rbinternational.com/en/investors/reports.html).

As a credit institution within the meaning of Section 1 of the Austrian Banking Act (BWG), RBI AG is subject to the regulatory oversight of the Financial Market Authority, Otto-Wagner-Platz 5, A-1090 Vienna (www.fma.gv.at) and the European Central Bank, Sonnemannstrasse 20 D-60314 Frankfurt am Main (www.bankingsupervision.europa.eu).

The disclosure requirements set out in Part 8 of the EU Regulation 575/2013 on prudential requirements for credit institutions (Capital Requirements Regulation, CRR) are published online on the bank's website at https://www.rbinternational.com/en/investors/reports.html.

Statutory deposit guarantee and investor protection scheme – Austrian Raiffeisen-Sicherungseinrichtung eGen

Up until 28 November 2021, Raiffeisen Bank International AG and its Austrian bank subsidiaries were part of the Einlagensicherung AUSTRIA Gesellschaft m.b.H. (ESA), as a general protection scheme in Austria.

As of 29 November 2021, Raiffeisen Bank International AG and its Austrian bank subsidiaries, the regional Raiffeisen banks and the local Raiffeisen banks, are part of the Austrian Raiffeisen-Sicherungseinrichtung eGen (ÖRS), as a statutory protection scheme.

The new institutional protection scheme (IPS), Raiffeisen-IPS (see detailed information in next paragraph), was recognized together with ÖRS by the Austrian Financial Market Authority (FMA) in May 2021 as a statutory deposit guarantee and investor protection scheme according to the Austrian Deposit Guarantee and Investor Protection Act (Einlagensicherungs- und Anlegerentschädigungsgesetz – ESAEG). The member institutions completed the switch from ESA to ÖRS following the expiration of the six-month statutory waiting period. RBI AG and its Austrian bank subsidiaries, the regional Raiffeisen banks and the local Raiffeisen banks, entered by agreement dated March 2021 into a new institutional protection scheme (Raiffeisen-IPS) according to Article 113 (7) CRR (Capital Requirements Regulation of the European Union). This commits member institutions to ensure one another's security and in particular, join forces to ensure liquidity and solvency when required. The new Raiffeisen-IPS was recognized by the relevant supervisory authorities (ECB and FMA) in May 2021, as an institutional protection scheme according to Article 113 (7) CRR and its related rights and obligations of the participating member institutions. This allows among other things for receivables to be risk-weighted at zero per cent between Raiffeisen-IPS members. The Raiffeisen-IPS is subject to joint regulatory supervision and capital requirements must also be met on a consolidated basis.

The new Raiffeisen-IPS replaces the former institutional protection schemes at regional and federal level, which were dissolved in June 2021.

ÖRS is mandated to operate the reporting and early risk assessment systems for Raiffeisen-IPS. ÖRS also acts as trustee and manages the liquid assets for Raiffeisen-IPS.

The Raiffeisen-IPS is controlled by a joint risk council, comprising representatives of RBI AG, the regional Raiffeisen banks and the Raiffeisen banks. Tasks that could be solved on a regional level were delegated to the regional risk councils, each comprising representatives of the respective regional Raiffeisen banks and Raiffeisen banks, by the joint risk council.

Recognition and measurement principles

General principles

The annual financial statements are prepared in accordance with the principles of proper accounting, and taking into account standard practice as described in Section 222 (2) of the Austrian Commercial Code (UGB), to give a true and fair view of the company's net assets, financial position and earnings.

The consolidated financial statements were prepared in compliance with the consistency principle.

Assets and liabilities are valued on the principle of individual valuation and on the assumption that the company will continue to exist as a going concern. The principle of prudence is applied, taking into account the special characteristics of the banking business.

Regarding negative interest, RBI AG has adopted the accounting approach of recognizing negative interest from loans under interest income and negative interest from liabilities under interest expenses.

Amounts in foreign currencies

Assets and liabilities in foreign currencies are converted at the ECB's reference exchange rates as at 31 December 2021 pursuant to Section 58 (1) of the Austrian Banking Act (BWG).

Fair value measurement

Stock market prices are used to determine the fair value of listed products. If stock market prices are not available, prices for original financial instruments and forward transactions are determined based on the calculated present value. The prices for options are determined based on suitable option price models. The calculation of present value is based on a yield curve composed of money-market, futures and swap rates and does not include a credit spread. Option pricing formulas as described by Black-Scholes 1972, Black 1976 and Garman-Kohlhagen are used together with other common models for the valuation of structured options.

The price definition of OTC derivatives involves both value adjustments for the counterparty's probability of default (credit value adjustment – CVA) as well as adjustments for own credit risk (debit value adjustment – DVA). The CVA involves, first, the determination of the expected positive exposure and, second, the counterparty's probability of default. The DVA is determined by the expected negative exposure and RBI's credit quality.

To determine the expected positive exposure, a large number of scenarios for future points in time are simulated, reflecting all available risk factors (e.g. currency and yield curves). Having regard to these scenarios, the OTC derivatives are measured at market value and aggregated at counterparty level to finally determine the positive exposure for all the dates.

As a further component for the CVA, a probability of default has to be determined for each counterparty. If direct CDS (credit default swap) quotes are available, RBI AG derives the market-based probability of default for the respective counterparty and implicitly the loss-given default (LGD). To determine the probability of default of counterparties that are not actively traded in the market, the counterparty's internal rating is assigned to a sector- and rating-specific CDS curve.

The DVA is determined by the expected negative exposure and RBI's credit quality and represents the value adjustment with regard to RBI AG's own probability of default. The method applied to calculate the negative exposure is similar to that used for the CVA; the expected negative market value is applied instead of the expected positive market value. From the simulated future aggregated counterparty market values, negative, rather than positive, exposures are determined. These represent the expected liability to the counterparty at the respective future dates.

To determine the own probability of default values implied by the market are also used. If direct CDS quotes are available, these are applied. If no CDS quotes are available, the own rating is assigned to a sector- and rating-specific CDS curve to determine own probability of default.

The capital-guaranteed products (guarantee funds and pension provisions) are reported as put options sold on the respective funds to be guaranteed. Valuation is based on a Monte Carlo simulation and is in accordance with the framework conditions stipulated by law pursuant to Section 57 of the Austrian Banking Act.

Financial instruments in the banking book

Securities intended to serve business purposes on a permanent basis (investment portfolio) are valued as fixed assets. The difference between the purchase cost and repayment amount is written off or recognized pro rata over the residual term.

Securities held as current assets have been valued strictly according to the lower of cost or market value principle, with any reversals of impairment losses up to amortized cost.

Derivatives on interest rates (interest rate swaps, interest rate options and forward rate agreements) and on exchange rates (cross currency interest rate swaps and forward exchange transactions) are accounted for according to the accrued interest method, in which interest amounts are accrued for each period.

In designating derivatives as part of effective micro hedging transactions, compensatory valuation of the underlying transaction and hedging derivative takes place.

RBI AG uses interest rate swaps to hedge the interest rate risk from assets (bonds and loans) and liabilities (own issues, promissory notes and custodian business) on the statement of financial position. Fixed cash flows are exchanged for variable cash flows to minimize the interest rate risk. The currency risk is hedged by various currency swaps.

These derivatives form part of a valuation unit. Their market value is therefore not reported in the annual financial statements, as they are offset by cash flows from the underlying transactions recognized through profit and loss.

The hedging relationships are determined on the basis of micro fair value hedges in accordance with AFRAC 15 "Derivatives and Hedging Instruments" and documented according to applicable regulations. On designation, the effectiveness of the hedging relationship is reviewed by a prospective effectiveness test with 100 basis point shifts in the yield curve.

The effectiveness is measured retrospectively on the basis of a monthly regression analysis. Here, a set of 20 data points is used to determine the required calculation parameters used for the retrospective effectiveness test. A hedge is deemed to be effective if changes in the fair value of the underlying and hedging transaction are in a range of 80-125 per cent.

The banking book also includes derivatives which do not meet the criteria of a trading book and are not part of a micro hedge relationship. The focus is not on short-term gains but on management of income and interest rate risk through positioning based on medium- to long-term market opinion. These derivatives were administrated in defined portfolios in order to guarantee a documented mapping to functional units. Within these functional units an imparity-based valuation takes place. For a negative accounting balance per functional unit a provision for impending loss will be allocated, while a positive accounting balance will be unrecognized.

Derivatives of the bank book, which are not reflected in functional units, are valued according to the imparity principle. In the case of negative market values a provision for impending loss will be allocated. The disclosure is shown in the income statement under position 11./12. net income/expenses from the disposal and valuation of loans and advances and securities classified as current assets.

Credit default swaps have the following effect on the income statement: The margins received or paid (including accruals) are reported under commissions; the valuation results are recorded against income based on the imparity principle. In the case of negative market values, a provision for impending loss will be allocated.

Financial instruments in the trading book

The securities in the trading portfolio are valued on a mark-to-market basis. All derivatives transactions in the trading book are also recognized at fair value.

Loans and advances

Loans and advances are generally recognized at amortized cost, taking into account the effective interest method in accordance with the position paper of the AFRAC and the FMA on issues relating to subsequent measurement of credit exposures at banks. For loans, acquisition cost is the starting point for the valuation. In the case of an original financial asset, the cost of acquisition is generally equal to the amount paid out, including any incidental acquisition costs. In general, the acquisition is not recognized through the income statement. In the case of acquired loans, the cost of acquisition is measured by reference to the purchase price. Pursuant to section 56 (2) and (3) of the Austrian Banking Act, premiums and discounts resulting from the issue, as well as differences arising from the acquisition on the secondary market, may either be recognized immediately in profit or loss or on a scheduled basis. Any difference between the acquisition cost and the repayment amount is deferred and reported in net interest income, provided the difference is similar in nature to interest. On every reporting date, an assessment is conducted to determine whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairments are in any case accounted for by loan loss provisions either in the form of specific loan loss provisions or portfolio-based loan loss provisions. If the reasons for an impairment no longer apply, the impairment is reversed up to a maximum of no more than the cost of acquisition after reversing the difference (premium/discount).

Net provisioning for impairment losses

The IFRS 9 credit risk provisioning model is also applied in accordance with commercial law for the determination of credit risk provisions. Expected credit losses for credit risks, risks for credit commitments and off-balance sheet credit risks from financial guarantees and letters of credit are recognized as impairments and determined according to the change in credit risk from the date of addition. Impairment losses on loans are deducted from the carrying amount at amortized cost in the statement of financial position. Appropriate provisions are recognized for impairment losses on loan commitments, financial guarantees and letters of credit.

Accordingly, the amount of risk provisioning is calculated according to the general approach in two ways, namely either

- according to the expected 12-month loss (12-month ECL) or
- according to the total lifetime loss (Lifetime ECL)

Depending on the change in credit risk between the date of initial recognition and the respective current credit risk at the measurement date, the financial instruments are classified into one of three impairment levels:

- Level 1 covers all newly recognized financial instruments as well as those for which the credit risk has not increased significantly since initial recognition and financial instruments with low credit risk (low credit risk exemption). A level 1 impairment loss is added to the portfolio loan loss provisions in the statement of changes in valuation (12-month loss).
- Level 2 contains financial instruments for which the credit risk has increased significantly since initial recognition, but for which no default has yet occurred. For these receivables, an impairment loss is calculated on the basis of the total lifetime loss and also recognized as a portfolio-based loan loss provision.
- Level 3 covers financial instruments for which objective indications of impairment already exist and a significant increase in the risk of default. A significant increase in the risk of default is deemed to exist if the criteria for debtor default are met in accordance with Art. 178 of Regulation (EU) No. 575/2013, and the receivable is then allocated to the non-performing portfolio. Level 3 impairments are recognized as individual loan loss provisions.

Portfolio-based loan loss provisions

The portfolio loan loss provision pursuant to IFRS 9 is implemented based on a two-stage procedure. If the credit default risk for current assets has not increased significantly since initial recognition, the impairment loss for each asset is measured at the present value of an expected 12-month loss as at the reporting date. The expected 12-month loss corresponds to the amount determined as the expected credit loss following default events within the 12-month period following the reporting date. .

In the case of assets whose credit risk has risen significantly since initial recognition and which are neither in default nor classified as transactions with a low credit risk at the reporting date, the expected credit loss is calculated over the asset's entire remaining term. The expected loss for both stages is calculated on an individual transaction basis applying statistical risk parameters derived from the Basel IRB approach and adjusted to the requirements of IFRS 9. The following are the most important inputs for calculating expected credit losses at RBI:

- Probability of default (PD): At RBI AG, the probability of default (PD) is the probability with which a borrower will be unable to meet its payment obligations either within the next twelve months or over the entire remaining term.
- Exposure at default (EAD): Exposure at default corresponds to the amount at the time of default owed to RBI AG over the next twelve months or over the entire term.
- Loss given default (LGD): Loss given default corresponds to the expectation at RBI AG relating to the loss amount in the event of default.

The estimation of risk parameters includes not only historical default information but also the current economic environment (point-in-time orientation) and forward-looking information. In particular, the bank's macroeconomic forecasts are reviewed regularly in relation to their impact on the level of expected credit losses, and such forecasts are integrated into the related calculations. For this purpose, a baseline scenario is applied based on current RBI Research forecasts relating to key macroeconomic parameters, supplemented by other model-relevant macroeconomic parameters.

Post-model adjustments to expected credit loss allowance estimates are adjustments which are used in circumstances where existing inputs, assumptions and model techniques do not capture all relevant risk factors. Existing inputs, assumptions and model techniques might not capture all relevant risk factors due to transient circumstances, insufficient time to appropriately incorporate relevant new information and when individual lending exposures within a group of lending exposures react to factors or events differently than initially expected, resulting in a reclassification. The emergence of new macroeconomic, microeconomic or political events, along with expected changes to parameters, models or data that are not incorporated in current parameters, internal risk rating migrations or forward-looking information are examples of such circumstances. In general RBI units use post-model adjustments to allowances for expected credit losses only as an interim solution. In order to reduce the potential for bias, post-model adjustments are of a temporary nature and in general valid for no longer than one to two years. All material adjustments are authorized by the Group Risk Committee (GRC). From an accounting point of view, all post-model adjustments are based on collective assessment, but do not necessarily result in a change in expected credit losses between the stages.

Individual loan loss provisions

If there is a significant increase in the risk of default or a default has occurred, provisions are recognized in the amount of the expected default as part of the individual loan loss provision. An individual loan loss provision is recognized for a financial asset or group of financial assets if:

- there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the asset and before the reporting date (loss event);
- the loss event had an impact on the estimated future cash flows of the financial asset or group of financial assets; and
- the amount can be reliably estimated.

Objective evidence of impairment includes the counterparty experiencing significant financial difficulties, a breach of contract (e.g. default or delinquency in interest or principal payments), or a high probability that the borrower will enter bankruptcy or another form of financial reorganization.

Loans for which there is objective evidence of impairment are tested for impairment. For this purpose, the expected default amount is calculated as the difference between the expected repayments of principal, interest payments and collateral proceeds and the gross carrying amount of the loan. The expected repayment amounts are discounted in accordance with their probability of occurrence and the scenarios, weighted using the effective interest rate. The loan is recognized in the balance sheet less the total loss on maturity. The resulting net carrying amount is used as the basis for calculating future interest income.

General individual loan loss provisions for retail lending in the Polish branch are recognized based on the best statistically derived estimate of the expected loss after adjusting for indirect costs.

Investments and shares in affiliated companies

Equity participations and interests in affiliated companies are carried at cost unless sustained losses or reduced equity require them to be written down to their fair value. They are written up to no more than their cost of acquisition if the reasons for the long-term impairment no longer apply.

Equity participations and affiliated companies are valued at the end of each financial year by means of an impairment test. Their fair value is determined during the test.

Fair value is calculated using a dividend discount model. The dividend discount model properly also accounts for the specific characteristics of the banking business, including the need to comply with capital adequacy regulations. The recoverable amount is considered to be the present value of the expected future dividends that may be distributed to the shareholders after meeting all appropriate capital adequacy regulations.

The recoverable amount is calculated based on a five-year detailed planning period. The sustainable future (permanent dividend phase) is based on a going concern assumption (perpetuity). In most cases, the income used for the valuation is assumed to grow at a country-specific nominal rate based on the projected long-term inflation rate. If companies are significantly overcapitalized, an interim phase of five years is defined without extending the detailed planning phase. During this period, these companies can distribute full dividends without violating capital adequacy regulations. In the permanent dividend phase, earnings must be retained as the company grows in order to continue to comply with capital adequacy regulations. Earnings retention is not required if no growth is expected in the permanent dividend phase.

In the permanent dividend phase, the model assumes a normalized, economically sustainable earnings situation in which the return on equity and the costs of equity capital converge.

Tangible and intangible fixed assets

Intangible fixed assets and tangible fixed assets are valued at acquisition or production cost less scheduled depreciation. Scheduled depreciation is on a straight-line basis (pro rata temporis). An impairment loss is recognized if an asset is permanently impaired below its carrying amount.

Scheduled depreciation is based on the following periods of use:

Useful life	Years	Useful life	Years
Buildings	50	Software	4 to 10
Office equipment	3 to 5	Hardware	3
Office fixtures and fittings	5 to 10	Business equipment	5 to 10
Vehicles	5	Tenancy rights	10

Low-value fixed assets are written off in full in the year of acquisition.

Issuance expenses

Issuance and management fees and premiums or discounts for bonds issued are distributed over the given term of the obligation using the effective interest method. Other issuance expenses are expensed immediately.

Pension and severance payment obligations

The provisions for pension and severance payment obligations are determined in accordance with IAS 19 – Employee Benefits – based on the projected unit credit method.

The actuarial calculation of pension obligations for active employees is based on an interest rate, as recommended by Mercer, of 0.99 per cent (31/12/2020: 0.8 per cent) p.a. and an effective pensionable salary increase of 3.7 per cent (31/12/2020: 3.7 per cent). The parameters for retired employees are calculated using a capitalization rate of 0.99 per cent (31/12/2020: 0.8 per cent) and an expected increase in retirement benefits of 2.1 per cent (31/12/2020: 2.0 per cent), and in the case of pension commitments with existing reinsurance policies of 0.5 per cent (31/12/2020: 0.5 per cent). The calculations are based on an assumed retirement age of 60 for women and 65 for men, subject to transitional statutory requirements and special arrangements contained in individual contracts.

The basis for the calculation of provisions for pensions is provided by the new AVÖ 2018-P Rechnungsgrundlagen für die Pensionsversicherung (Computational Framework for Pension Insurance), using the variant for salaried employees. The resultant allocation amount was expensed immediately.

The actuarial calculation of severance payment and long-service bonus obligations is based on an interest rate of 1.04 per cent p.a. (31/12/2020: 0.9 per cent p.a., for birthday benefits 1.12 per cent p.a. (31/12/2020: 0.97 per cent)) and an average salary increase of 3.7 per cent p.a. (31/12/2020: 3.7 per cent).

Other provisions

Other provisions are recorded at the level at which they are likely to be required. They take into account all identifiable risks and liabilities, the level of which is not yet known. Long-term provisions in Austria are currently not discounted due to the low level of interest rates. The long-term provisions for litigation costs for lawsuits filed in connection with foreign currency loans in Poland were discounted at an appropriate interest rate.

Other provisions include provisions for bonuses for identified staff (pursuant to European Banking Authority CP 42, 46). RBI AG fulfills the obligations set forth in the Annex to Section 39b of the Austrian Banking Act (BWG) as follows: 60 per cent of the annual bonus is paid out 50 per cent as an upfront cash payment and 50 per cent by way of a phantom share plan with a retention period of one year. 40 per cent of the annual bonus is subject to a five-year deferral period and likewise paid out 50 per cent in cash and 50 per cent by way of the phantom share plan. The phantom shares are converted on allocation and payment each using the average price of the preceding financial year.

Liabilities

These are recognized at the higher of the nominal value or the repayment amount. The difference between the issue and repayment amount is allocated according to the effective interest method.

Zero-coupon bonds are recognized at nominal value plus accrued interest on a pro rata basis up to the reporting date.

Notes on the statement of financial position

Assets

Loans and advances

Breakdown of maturities

Loans and advances to credit institutions, loans and advances to customers and other assets are broken down by their residual terms as follows:

in € thousand	31/12/2021	31/12/2020
Loans and advances to credit institutions	**10,933,167.2**	**11,789,129.0**
Repayable on demand	1,294,593.6	1,791,513.5
Up to 3 months	6,711,282.9	6,474,332.8
More than 3 months, up to 1 year	772,397.9	660,607.5
More than 1 year, up to 5 years	733,595.5	1,452,908.2
More than 5 years	1,421,297.4	1,409,767.0
Loans and advances to customers	**31,778,841.2**	**28,965,210.9**
Repayable on demand	595,191.4	597,712.7
Up to 3 months	6,041,884.7	5,259,759.3
More than 3 months, up to 1 year	6,047,387.9	4,202,757.0
More than 1 year, up to 5 years	12,953,008.2	13,427,307.7
More than 5 years	6,141,368.9	5,477,674.2
Other assets	**3,164,540.7**	**2,964,476.7**
Up to 3 months	2,520,844.6	2,649,970.5
More than 3 months, up to 1 year	300,000.0	0.0
More than 1 year, up to 5 years	0.0	0.0
More than 5 years	343,696.1	314,506.2

The risk section of the management report includes more details about the distribution of loans and advances on a regional basis.

Derivative financial instruments

Hedging relationships

Hedges with hedging periods up to 2042 existed as at 31 December 2021.

Derivative financial instruments used to hedge interest rate and credit risks are used for underlying transactions on both the assets and liabilities side. As of the reporting date, risks from bonds and loans are hedged on the assets side, and risks from own issues, registered bonds, promissory note loans and deposits are hedged on the liabilities side.

The clean present value of the hedging transactions (i.e. excluding accrued interest) for the hedged hedging relationships together amount to € 59,421 thousand (31/12/2020: € 264,845 thousand), of which € 108,534 thousand (31/12/2020: € 278,413 thousand) is attributable to positive market values and € 49,113 thousand (31/12/2020: € 13,568 thousand) to negative market values.

In the financial year 2021, there were no material settlement payments in connection with derivatives in hedging relationships (31/12/2020: € 0 thousand), nor were there any material losses from hedging derivatives not recognized in the statement of financial position (31/12/2020: € 0 thousand).

In the course of the IBOR reform, compensation payments of € 55 thousand (31/12/2020: € 39 thousand) were made in the financial year under review, which were immediately recognized in profit or loss in accordance with AFRAC Statement 15 on Derivatives and Hedging Instruments (UGB) Rz 77 et seq.

Interest rate management derivatives

Interest rate swaps are suitable for the formation of valuation units in accordance with the FMA circular on accounting issues relating to interest rate derivatives and valuation adjustments for derivatives, pursuant to section 57 of the Austrian Banking Act. For derivatives valued within functional units, the provision for impending loss amounts to € 29,969 thousand (31/12/2020: € 38,941 thousand). In the financial year 2021, allocations in the amount of € 15,364 thousand (31/12/2020: € 24,071 thousand) and reversals in the amount of € 24,336 thousand (31/12/2020: € 12,050 thousand) resulted from the change in the market values of the functional units of the hedging derivatives.

Credit default swaps

Credit default swaps require individual valuation in accordance with the FMA circular on accounting issues relating to interest rate derivatives and valuation adjustments for derivatives, pursuant to section 57 of the Austrian Banking Act. For derivatives not managed as part of functional units, the provision for impending loss amounts to € 879 thousand as of the reporting date (31/12/2020: € 5,121 thousand). In the financial year 2021, allocations in the amount of € 308 thousand (31/12/2020: € 1,413 thousand) and reversals in the amount of € 4,550 thousand (31/12/2020: € 0 thousand) resulted from changes in the market values of these derivatives.

The portfolio-based management of functional units is summarized according to the strategy applied to manage interest risk for the currencies contained therein, with the positive and negative fair values shown below:

in € thousand	31/12/2021 Positive values	Negative values	31/12/2020 Positive values	Negative values	Valuation effect 31/12/2021
AUD	0	(2)	0	0	(2)
CHF	1	0	6	0	(5)
CZK	839	(2,413)	1,054	(3,747)	1,119
EUR	57,275	(27,088)	64,626	(33,866)	(573)
GBP	18	(15)	9	4	(10)
HUF	3,343	0	121	(238)	3,460
NOK	1	0	1	0	0
PLN	0	(206)	0	0	(206)
RON	114	0	109	0	5
RUB	0	(20)	63	0	(83)
USD	1,656	(225)	289	(1,090)	2,232
Total	**63,247**	**(29,967)**	**66,278**	**(38,937)**	**5,939**

The main factors driving the valuation result were the change in market value due to the change in the interest rate market in EUR, expanded netting volume and an increase in USD business.

The following table summarizes the currencies of the hedging derivatives that are not suitable for management under functional units. This gives the following picture for the positive and negative fair values as of the reporting date:

in € thousand	31/12/2021 Positive values	Negative values	31/12/2020 Positive values	Negative values	Valuation effect 31/12/2021
EUR	1,472	(879)	944	(5,121)	4,770
Total	**1,472**	**(879)**	**944**	**(5,121)**	**4,770**

In the financial year 2021, no material settlement payments occurred in connection with derivatives in hedging relationships (31/12/2020: € 0 thousand), nor were any material losses from hedging derivatives not recognized in the statement of financial position (31/12/2020: € 0 thousand).

The following tables show the open forward transactions for the reporting year and the previous year:

31/12/2021	Nominal amount by maturity					Market value	
in € thousand	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	hereof trading book	positive	negative
Total	**93,961,965**	**110,601,423**	**75,947,643**	**280,511,032**	**203,287,708**	**1,992,828**	**1,859,205**
a) Interest rate contracts	**42,337,696**	**98,726,567**	**72,920,639**	**213,984,902**	**140,727,499**	**1,338,285**	**1,259,708**
OTC products							
Interest rate swaps	32,854,445	88,974,552	67,542,271	189,371,269	122,153,355	1,205,504	1,144,027
Floating Interest rate swaps				0			
Interest rate futures	8,244,821	985,027	0	9,229,848	8,043,467	13,220	9,101
Interest rate options - buy	742,680	4,118,714	1,958,983	6,820,377	5,217,269	115,408	0
Interest rate options - sell	376,261	4,090,545	2,991,024	7,457,830	4,207,830	0	61,410
Other similar interest rate contracts	62,388	500,026	360,939	923,353	923,353	815	45,161
Exchange-traded products				**0**			
Interest rate futures	0	16,496	8,656	25,152	25,152	0	9
Interest rate options	57,100	41,207	58,766	157,073	157,073	3,338	0
b) Foreign exchange rate contracts	**51,550,769**	**10,025,006**	**2,450,615**	**64,026,391**	**60,612,085**	**632,074**	**571,391**
OTC products							
Cross-currency interest rate swaps	2,846,379	5,500,864	2,450,615	10,797,858	8,499,368	241,634	154,230
Forward foreign exchange contracts	46,612,455	4,446,856	0	51,059,310	49,965,709	381,049	405,125
Currency options – purchased	1,009,100	26,111	0	1,035,211	1,012,996	9,391	0
Currency options – sold	1,082,836	51,176	0	1,134,012	1,134,012	0	12,036
Other similar interest rate contracts				0			
Exchange-traded products							
Currency contracts (futures)				0			
Currency options				0			
c) Securities-related transactions	**0**	**69,146**	**6,374**	**75,520**	**7,920**	**812**	**807**
OTC products							
Securities-related forward transactions				0			
Equity/Index options -buy	34,923	68,373	3,187	71,560	3,960	812	0
Equity/Index options -sell	12,523	773	3,187	3,960	3,960	0	807
Exchange-traded products							
Exchange-traded products							
Equity/Index futures	0	0	0	0	0	0	0
Equity/Index options	0	0	0	0	0	0	0
d) Commodity contracts	**0**	**0**	**0**	**0**	**0**	**0**	**0**
OTC products							
Commodity forward transactions	0	0	0	0	0	0	0
Exchange-traded products							
Commodity futures	0	0	0	0	0	0	0
e) Credit derivative contracts	**73,500**	**1,780,704**	**570,014**	**2,424,218**	**1,940,204**	**21,657**	**27,299**
OTC products							
Credit default swaps	73,500	1,780,704	570,014	2,424,218	1,940,204	21,657	27,299

31/12/2020 in € thousand	Nominal amount by maturity Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	hereof trading book	Market value positive	negative
Total	**73,837,525**	**98,289,893**	**61,736,208**	**233,863,626**	**167,593,114**	**2,634,857**	**2,269,907**
a) Interest rate contracts	**32,015,017**	**89,590,767**	**59,744,885**	**181,350,669**	**120,715,182**	**1,960,350**	**1,610,916**
OTC products							
Interest rate swaps	28,722,628	81,410,395	56,121,637	166,254,660	108,063,154	1,815,289	1,446,707
Floating Interest rate swaps				0			
Interest rate futures	854,774	0	0	854,774	854,773	0	190
Interest rate options - buy	1,197,719	3,849,961	1,685,038	6,732,718	5,888,737	144,988	0
Interest rate options - sell	810,612	3,812,682	1,637,336	6,260,630	4,660,630	0	84,378
Other similar interest rate contracts	383,115	471,305	278,465	1,132,885	1,132,885	73	79,633
Exchange-traded products							
Interest rate futures	3,669	16,685	8,716	29,070	29,070	0	8
Interest rate options	42,500	29,739	13,693	85,932	85,933	0	0
b) Foreign exchange rate contracts	**41,745,062**	**7,817,386**	**1,662,123**	**51,224,571**	**46,059,546**	**662,876**	**639,295**
OTC products							
Cross-currency interest rate swaps	5,023,746	5,700,773	1,662,123	12,386,642	8,792,444	231,557	205,280
Forward foreign exchange contracts	35,743,961	2,057,593	0	37,801,554	36,245,727	425,906	428,083
Currency options – purchased	512,988	29,507	0	542,495	527,495	5,413	0
Currency options – sold	464,367	29,513	0	493,880	493,880	0	5,932
Other similar interest rate contracts	0	0	0	0	0	0	0
Exchange-traded products							
Currency contracts (futures)	0	0	0	0	0	0	0
Currency options	0	0	0	0	0	0	0
c) Securities-related transactions	**47,446**	**67,600**	**0**	**115,046**	**25,046**	**1,128**	**1,253**
OTC products							
Securities-related forward transactions				0			
Equity/Index options -buy	34,923	67,600	0	102,523	23,546	1,128	0
Equity/Index options -sell	12,523	0	0	12,523	1,500	0	1,253
Exchange-traded products							
Equity/Index futures	0	0	0	0	0	0	0
Equity/Index options	0	0	0	0	0	0	0
d) Commodity contracts	**0**	**0**	**0**	**0**	**0**	**0**	**0**
e) Credit derivative contracts	**30,000**	**814,140**	**329,200**	**1,173,340**	**793,340**	**10,503**	**18,443**
OTC products							
Credit default swaps	30,000	814,140	329,200	1,173,340	793,340	10,503	18,443

The following derivatives shown in the list of open forward transactions are recognized at fair value in the statement of financial position:

Derivatives in € thousand	Positive fair values 31/12/2021	31/12/2020	Negative fair values 31/12/2021	31/12/2020
Derivatives in the trading book				
a) Interest rate contracts	1,219,236.4	1,304,160.6	1,208,368.6	1,175,678.9
b) Foreign exchange rate contracts	631,372.4	603,804.4	570,084.1	610,309.8
c) Share and index contracts	816.8	1,043.4	811.7	1,252.5
d) Credit derivatives	21,657.5	9,778.3	23,486.5	9,237.7

Securities

Debt securities and other fixed-income securities amounting to € 643,579 thousand (31/12/2020: € 224,673 thousand) will mature next financial year.

The table below lists the securities admitted to stock exchange trading (asset side), broken down into listed and unlisted securities (amounts incl. interest accrued):

Securities in € thousand	Listed 31/12/2021	Unlisted 31/12/2021	Listed 31/12/2020	Unlisted 31/12/2020
Debt securities and other fixed-income securities	3,611,437.3	31,094.5	3,481,730.4	9,932.8
Shares and other variable-yield securities	23,021.8	0.0	19,450.9	0.0

The table below lists securities admitted to stock exchange trading (asset side) measured as fixed assets or current assets (including trading portfolio):

Securities in € thousand	Fixed assets 31/12/2021	Current assets 31/12/2021	Fixed assets 31/12/2020	Current assets 31/12/2020
Debt securities and other fixed-income securities	1,869,461.4	1,773,070.4	1,513,706.4	1,977,956.8
Shares and other variable-yield securities	0.0	23,021.8	0.0	19,450.9

The table below shows the disposal of securities from fixed assets. Of this amount, € 745,828 thousand related to repayments (31/12/2020: € 1,701,346 thousand).

Balance sheet item in € thousand	Nominal amount 31/12/2021	Net result 31/12/2021	Nominal amount 31/12/2020	Net result 31/12/2020
Treasury bills and other bills eligible for refinancing with central banks	426,598.5	0.0	1,313,338.2	109.2
Loans and advances to credit institutions	27,280.6	0.0	90,812.2	0.0
Loans and advances to customers	162,966.9	814.8	107,748.7	492.8
Debt securities and other fixed-income securities	149,481.9	8,319.4	256,884.8	113.2
Shares and other variable-yield securities	0.0	0.0	0.0	0.0
Total	**766,328**	**9,134**	**1,768,784**	**715**

Difference between the acquisition cost and the repayment amount for securities (except zero-coupon bonds) in the investment portfolio (banking book):

The difference between the amortized costs and the repayment amounts is comprised of € 99,627 thousand (31/12/2020: € 88,209 thousand) to be recognized in the future as expenditure, and € 11,332 thousand (31/12/2020: € 7,516 thousand) to be recognized as income.

In the case of securities admitted to stock exchange trading and recognized at fair value that do not have the characteristics of financial investments, the difference between the acquisition cost and the higher fair value is € 19,320 thousand (31/12/2020: € 20,977 thousand) pursuant to Section 56 (4) of the Austrian Banking Act (BWG) and € 6,495 thousand (31/12/2020: € 7,133 thousand) pursuant to Section 56 (5) of the Austrian Banking Act (BWG).

The item loans and advances to credit institutions contains own bonds that are not admitted for public trading in an amount of € 18,172 thousand (31/12/2020: € 21,276 thousand).

Securities amounting to € 999,762 thousand (31/12/2020: € 89,068 thousand) are the subject of genuine repurchase transactions on the reporting date, whereby RBI AG is the seller and the securities continue to be recognized on the statement of financial position.

The volume of RBI's trading book pursuant to Article 103 CRR is € 145,694,345 thousand (31/12/2020: € 178,018,747 thousand), with € 908,390 thousand (31/12/2020: € 1,101,555 thousand) accounted for by securities and € 144,785,955 thousand (31/12/2020: € 176,917,192 thousand) accounted for by other financial instruments.

The fair value is lower than the carrying amount for the following financial instruments that are reported as financial investments:

Financial investments in € thousand		Carrying amount 31/12/2021	Fair value 31/12/2021	Carrying amount 31/12/2020	Fair value 31/12/2020
1.	Treasury bills and other bills eligible for refinancing with centralbank	1,479,065.7	1,458,723.1	10,370.9	10,358.0
2.	Loans and advances to credit institutions	62,362.7	62,123.8	0.0	0.0
3.	Loans and advances to customers	40,699.8	40,372.2	87,024.4	86,763.6
4.	Debt securities and other fixed-income securities				
	a) Issued by public bodies	0.0	0.0	0.0	0.0
	b) Issued by other borrowers	817,201.1	809,583.8	50,087.6	49,754.2
5.	Shares and other variable-yield securities	19,500.0	19,406.4	148,800.6	144,935.1
Total		**2,418,829.2**	**2,390,209.3**	**296,283.6**	**291,810.8**

An impairment (in accordance with Section 204 (2) of the Austrian Commercial Code (UGB)) is not accounted for as the assessment of the credit rating of the security borrower is such that scheduled interest payments and repayments are expected to be made.

Investments and shares in affiliated companies

There are cross shareholdings with UNIQA Insurance Group AG, Vienna, and Posojilnica Bank eGen, Klagenfurt. There are no profit and loss transfer agreements as at 31 December 2021.

Affiliated companies

Company, registered office (country)	Total nominal value in thousand	Exchange	Direct share of RBI	Equity in € thousand	Result in € thousand[1]	From annual financial statements[2]
Akcenta CZ a.s., Prague[3]	100,125	CZK	70%	8,330	2,450	31/12/2020
Akcenta Logisitic a.s., Prague[3]	2,000	CZK	70%	300	352	31/12/2020
Angaga Handels- und Beteiligungs GmbH, Vienna	35	EUR	100%	62	(9)	31/12/2020
AO Raiffeisenbank, Moscow[3]	36,711,260	RUB	100%	1,995,319	463,065	31/12/2021
BAILE Handels- und Beteiligungsgesellschaft m.b.H.,Vienna[2]	40	EUR	100%	249,176	(15)	31/12/2021
Centralised Raiffeisen International Services & Payments S.R.L., Bukarest	2,820	RON	100%	15,204	2,349	31/12/2021
Elevator Ventures Beteiligungs GmbH, Vienna	100	EUR	100%	18,892	(807)	31/12/2020
Extra Year Investments Limited, Tortola	50	USD	100%	23	(8)	31/12/2021
Fairo GmbH, Vienna[2]	35	EUR	100%	1,515	(4,590)	31/12/2021
FAIRO LLC, Kiev	7,571	UAH	100%	307	(1,037)	31/12/2020
FARIO Handels- und Beteiligungsgesellschaft m.b.H., Vienna	40	EUR	100%	5,411	(346)	31/12/2020
Golden Rainbow International Limited, Tortola	<1	USD	100%	348	3,049	31/12/2021
Kathrein Privatbank Aktiengesellschaft, Vienna[2]	20,000	EUR	<1%	36,099	3,469	31/12/2021
KAURI Handels und Beteiligungs GmbH, Vienna[2]	50	EUR	88%	7,522	451	31/12/2021
LOTA Handels- und Beteiligungs-GmbH, Vienna	35	EUR	100%	1,955	(119)	31/12/2020
RADWINTER SP.Z.O.O	10	PLN	100%	2,477	19	31/12/2020
R-Insurance Services sp. z o.o.	5	PLN	100%	1,629	923	31/12/2021
RB International Investment Asia Limited, Labuan	<1	USD	100%	(42)	(186)	31/12/2020
R.L.H. Holding GmbH, Vienna	35	EUR	100%	6,351	344	31/12/2020
RL Leasing GmbH, München (DE)	26	EUR	25%	34	(4)	31/12/2020
R.P.I. Handels- und Beteiligungsges.m.b.H., Vienna[2]	36	EUR	100%	200	(17)	31/12/2020
Raiffeisen Bank Aval JSC, Kiew[3]	6,154,516	UAH	68%	465,244	120,834	31/12/2021
Raiffeisen Continuum GmbH, Vienna	100	EUR	100%	91	(9)	31/12/2020
Raiffeisen Continuum GmbH & Co KG, Vienna	65	EUR	77%	37	(28)	31/12/2020
Raiffeisen Continuum Management GmbH, Vienna	100	EUR	100%	(21)	(546)	31/12/2020
Raiffeisen Investment Advisory GmbH, Vienna	730	EUR	100%	1,122	(96)	31/12/2021
Raiffeisen RS Beteiligungs GmbH, Vienna[2]	35	EUR	100%	4,912	63,620	31/12/2021
RALT Raiffeisen Leasing Ges.m.b.H, Vienna[2]	219	EUR	100%	4,849	3,265	31/12/2020
RALT Raiffeisen-Leasing GmbH & Co. KG, Vienna[2]	20,348	EUR	97%	82,456	949	31/12/2020
RB International Markets (USA) LLC, New York[3]	8,000	USD	100%	12,262	683	31/12/2021
RBI Group IT GmbH, Vienna	100	EUR	100%	109	<1	31/12/2020
RBI IB Beteiligungs GmbH, Vienna (Genussrechte)	35	EUR	99.99%	62	11,152	31/12/2020
RBI IB Beteiligungs GmbH, Vienna[2]	35	EUR	<1%	175	1,706	31/12/2020
RBI Kantinenbetriebs GmbH, Vienna	35	EUR	100%	N/A[4]	N/A	N/A
RBI LEA Beteiligungs GmbH, Vienna[2]	70	EUR	100%	238,629	12,220	31.12.2021
RBI PE Handels- und Beteiligungs GmbH, Vienna[2]	150	EUR	100%	7,804	240	31/12/2020
RBI Retail Innovation GmbH, Vienna[2]	35	EUR	100%	982	(303)	31/12/2021
REC Alpha LLC, Kiev[3]	1,596,843	UAH	85%	5,176	1,963	31/12/2021
Regional Card Processing Center s.r.o., Bratislava[3]	539	EUR	100%	19,299	1,489	31/12/2021
RZB Finance (Jersey) III Ltd, JE-St. Helier[3]	1	EUR	100%	26	(48)	31/12/2021
RZB-BLS Holding GmbH, Vienna[2]	500	EUR	100%	416,914	(37,191)	31/12/2020
RBI Invest GmbH, Vienna[2]	500	EUR	100%	687,221	(175,461)	31/12/2020
Salvelinus Handels- und Beteiligungsges.m.b.H., Vienna[2]	40	EUR	100%	380,782	448	31/12/2020
Ukrainian Processing Center PJSC, Kiew[3]	180	UAH	100%	23,194	12,495	31/12/2021
ZHS Office- & Facilitymanagement GmbH, Vienna	36	EUR	1%	922	418	31/12/2021

1 The result (in part from the consolidated financial statements) in € thousand corresponds to the annual profit/loss
2 Equity and result reported in accordance with IFRS (fully consolidated domestic entities)
3 Equity and result reported in accordance with IFRS (fully consolidated foreign entities)
4 Established in 2021

Fixed assets

The land value of developed land amounts to € 29 thousand (31/21/2020 € 29 thousand).

RBI AG was not directly involved in the leasing business as a lessor in 2021.

Obligations from the use of tangible fixed assets not reported on the statement of financial position amount to € 33,849 thousand (31/12/2020: € 35,577 thousand) for the following financial year, of which € 30,987 thousand were owed to affiliated companies (31/12/2020: € 33,094 thousand). The total amount of obligations for the following five years amounts to € 178,849 thousand (31/12/2020: € 183,120 thousand), of which € 163,725 thousand are owed to affiliated companies (31/12/2020: € 170,341 thousand).

The intangible fixed assets item includes no intangible fixed assets acquired from affiliated companies.

The following tables show the changes in fixed assets:

in € thousand		Cost of acquisition or conversion						
Item	Description of fixed assets	As at 1/1/2021 1	Additions due to merger 2	Exchange differences 3	Additions 4	Disposals 5	Reclassification 6	As at 31/12/2021 7
1.	Treasury bills and other bills eligible for refinancing with central banks	4,394,492	0	7,203	844,503	(428,824)	0	4,817,374
2.	Loans and advances to credit institutions	74,454	0	1,240	79,343	(26,757)	0	128,280
3.	Loans and advances to customers	387,417	0	14,911	238,050	(141,492)	0	498,886
4.	Debt securities and other fixed-income securities	1,531,728	0	19,256	469,310	(146,093)	0	1,874,201
a)	Issued by public bodies	9,167	0	765	0	0	0	9,932
b)	Issued by other borrowers	1,522,560	0	18,491	469,310	(146,093)	0	1,864,269
5.	Shares and other variable-yield securities	423,900	0	0	19,500	0	0	443,400
6.	Participating interests	104,947	0	0	9	(10,594)	0	94,361
7.	Shares in affiliated untertakings	12,800,767	0	0	38,461	(187,926)	0	12,651,302
8.	Intangible fixed assets	216,264	0	141	6,531	(4,545)	0	218,391
9.	Tangible assets	39,087	0	217	4,087	(1,753)	0	41,637
10.	Other assets	231	0	0	0	0	0	231
	Total	**21,505,015**	**0**	**62,224**	**2,169,105**	**(1,094,079)**	**0**	**22,642,265**

	in € thousand	Writing up/depreciation/revaluation							Carrying amount	
Item	Cumulative depreciation as of 1/1/2021 8	Additions due to merger 9	Exchange differences 10	Cumulative depreciation and amortization disposal 11	Write-ups 12	Depreciation 13	Reclassification 14	Cumulative depreciation as of 31/12/2021 15	31/12/2021 16	31/12/2020 17
1.	(15,184)	0	92	(17)	(169)	(14,080)	0	(40,089)	4,777,285	4,379,317
2.	(569)	0	(47)	0	(18)	(829)	0	0	128,280	73,885
3.	(988)	0	145	3,216	(1)	(1,376)	0	(29,358)	469,528	386,429
4.	(21,171)	0	(96)	15,217	808	(5,023)	0	(1,463)	1,872,738	1,510,568
a)	0	0	0	0	0	1	0	996	10,929	9,168
b)	(21,171)	0	(96)	15,217	809	(5,023)	0	(10,265)	1,854,003	1,501,400
5.	0	0	0	0	0	0	0	0	443,400	423,900
6.	(42,793)	0	0	0	1,653	(732)	0	(41,872)	52,489	62,154
7.	(2,289,125)	0	0	163,955	192,788	(11,411)	0	(1,943,793)	10,707,510	10,525,321
8.	(177,769)	0	(170)	3,814	0	(10,261)	0	(184,386)	34,004	38,495
9.	(21,341)	0	(145)	1,725	0	(3,779)	0	(23,541)	18,097	17,746
10.	0	0	0	0	0	0	0	0	231	231
	(2,590,111)	**0**	**(317)**	**203,126**	**195,870**	**(52,514)**	**0**	**(2,273,770)**	**20,368,494**	**17,361,861**

Other assets

As at 31 December 2021, other assets totaled € 3,164,541 thousand (31/12/2020: € 2,964,477 thousand). This item also contains loans and advances from treasury transactions (positive market values arising from derivatives in the trading book, as well as accrued interest from derivatives in the banking book – for details, refer to the table on open forward transactions) in the amount of € 2,000,976 thousand (31/12/2020: € 2,081,967 thousand). This item also includes loans and advances (special fund) to the Austrian Raiffeisen Deposit Guarantee scheme (ÖRE) relating to the Raiffeisen IPS contribution of € 343,696 thousand (31/12/2020: € 314,506 thousand), loans and advances to the tax administration in the amount of € 39,750 thousand (31/12/2020: € 24,709 thousand), holdings of precious metals in coin and other forms in the amount of € 114,657 thousand (31/12/2020:

€ 119,633 thousand), loans and advances to Group members arising from tax transfers in the amount of € 39,684 thousand (31/12/2020: € 43,751 thousand) and dividends receivable totaling € 433,070 thousand (31/12/2020: € 201,086 thousand).

The other assets also contain income of € 567,330 thousand (31/12/2020: € 364,267 thousand) which is not payable until after the reporting date.

Deferred tax assets

The deferred tax assets of € 481 thousand (31/12/2020: € 168 thousand) shown in the statement of financial position result from tax loss carryforwards against American tax authorities of the subsidiary RB International Finance (USA), LLC, New York, which was liquidated in 2017. They are based on the planned future taxable profit of the subsidiary RB International Markets (USA) LLC, New York. No deferred tax assets were recognized for temporary differences of € 265,965 thousand (31/12/2020: € 346,801 thousand) and € 2,103,441 thousand (31/12/2020: € 2,070,117thousand) from domestic tax loss carry forwards as it does not appear that they can be realized within a reasonable time from today's perspective. There were no liability-side temporary differences, which are generally set off up to the amount of the asset-side temporary differences, in the financial year.

Subordinated assets

Subordinated assets contained under assets:

in € thousand	31/12/2021	31/12/2020
Loans and advances to credit institutions	**1,018,585.0**	**1,237,720.3**
hereof to affiliated companies	1,014,889.6	1,234,005.3
hereof to companies linked by virtue of a participating interest	3,695.4	3,715.0
Loans and advances to customers	**192,478.3**	**280,824.3**
hereof to affiliated companies	18,752.8	56,457.4
hereof to companies linked by virtue of a participating interest	2,209.9	2,203.3
Debt securities and other fixed-income securities	**46,933.2**	**37,168.5**
hereof from affiliated companies	0.0	0.0
hereof from companies linked by virtue of a participating interest	4,375.4	118.3
Shares and other variable-yield securities	**483,227.5**	**449,362.5**
hereof from affiliated companies	460,205.6	441,298.1
hereof from companies linked by virtue of a participating interest	499.3	0.0

Restrictions related to asset availability

As at the reporting date, there were restrictions related to asset availability (in accordance with Section 64 (1) 8 BWG):

in € thousand	31/12/2021	31/12/2020
Indemnification for securities lending transactions	92,867.7	416,627.0
Loans assigned to Oestereichische Kontrollbank (OeKB)	2,294,168.6	2,503,049.8
Indemnification for OeNB tender	2,982,616.7	2,348,546.0
Loans assigned to European Investment Bank (EIB)	31,617.5	37,380.9
Loans assigned to Kreditanstalt für Wiederaufbau (KfW)	131,633.4	84,809.5
Loans assigned to Euler Hermes	0.0	0.0
Institutional Protection Scheme	343,696.1	314,506.2
Margin requirements	54,229.0	52,250.0
Treasury call deposits for contractual netting agreements	924,857.9	665,882.0
Total	**6,855,686.9**	**6,423,051.4**

In addition, assets with usage restrictions in an amount of € 2,341,117 thousand (31/12/2020: € 1,879,971 thousand) exist for covered bonds which have been established but not yet issued.

Asset items for affiliated companies and companies linked by virtue of a participating interest

Loans and advances as well as debt securities and other fixed-income securities to and from affiliated companies and companies linked by virtue of a participating interest:

in € thousand	31/12/2021	31/12/2020
Loans and advances to credit institutions		
To affiliated companies	2,731,374.9	2,834,260.8
To companies linked by virtue of a participating interest	299,167.3	219,229.7
Loans and advances to customers		
To affiliated companies	1,311,555.0	2,093,520.1
To companies linked by virtue of a participating interest	96,714.9	93,125.8
Debt securities and other fixed-income securities		
From affiliated companies	50,977.8	120,525.5
From companies linked by virtue of a participating interest	134,071.1	112,896.8

Equity and liabilities

Liabilities

Breakdown of maturities

Liabilities to credit institutions, liabilities to customers, securitized liabilities and other liabilities break down by their residual terms as follows:

in € thousand	31/12/2021	31/12/2020
Liabilities to credit institutions	**35,764,017.5**	**33,499,251.5**
Repayable on demand	3,765,261.2	4,124,685.0
Up to 3 months	15,469,941.5	13,579,701.3
More than 3 months, up to 1 year	2,478,015.2	1,359,320.3
More than 1 year, up to 5 years	10,369,611.9	11,523,522.6
More than 5 years	3,681,187.7	2,912,022.2
Liabilities to customers	**22,461,732.4**	**21,322,850.6**
Repayable on demand	9,721,565.3	8,282,164.1
Up to 3 months	8,231,729.0	8,294,733.9
More than 3 months, up to 1 year	3,110,814.5	2,587,095.6
More than 1 year, up to 5 years	824,974.6	1,592,606.1
More than 5 years	572,649.0	566,250.9
Securitised liabilities	**7,934,166.8**	**8,049,011.5**
Up to 3 months	331,782.2	523,400.1
More than 3 months, up to 1 year	188,334.3	801,517.7
More than 1 year, up to 5 years	5,466,549.5	4,599,739.0
More than 5 years	1,947,500.8	2,124,354.7
Other liabilities	**2,512,340.4**	**2,687,537.6**
Up to 3 months	2,512,340.4	2,687,537.6
More than 3 months, up to 1 year	0.0	0.0
More than 1 year, up to 5 years	0.0	0.0
More than 5 years	0.0	0.0

Bonds and notes issued amounting to € 1,036,107 thousand (31/12/2020: € 1,238,604 thousand) will become due in next financial year.

Liabilities to affiliated companies and companies linked by virtue of a participating interest:

in € thousand	31/12/2021	31/12/2020
Liabilities to credit institutions		
From affiliated companies	6,152,706.3	7,033,854.5
From companies linked by virtue of a participating interest	4,502,953.0	4,454,918.0
Liabilities to customers		
From affiliated companies	3,044,334.3	3,455,591.1
From companies linked by virtue of a participating interest	31,343.4	296,201.3

TLTRO III program (Targeted Longer-Term Refinancing Operations)

RBI AG's participation in the European Central Bank's TLTRO III (Targeted Longer-Term Refinancing Operations) programs continued in the reporting period, with the increased volumes compared to the previous year in order to increase liquidity buffers.

As of the reporting date, the volume of longer-term financing transactions under the ECB's TLTRO III program totaled € 5,425,000 thousand. This constitutes an increase of € 625,000 thousand compared to the value as of December 31, 2020.

The TLTRO III interest rate depends on the development of a benchmark loan portfolio, using various comparative periods. The TLTRO terms and conditions generally provide for a reduction in interest rates when banks reach certain credit thresholds. Monitoring of target achievement was conducted on an ongoing basis. Both the threshold for credit growth of 1.15 per cent in the period from March 2019 to March 2021 for an interest rate at the deposit facility rate of currently -0.5 per cent and the prerequisite for the utilization of what is known as COVID bonuses (SIRP I from June 24, 2020 to June 23, 2021 and SIRP II from June 24, 2021 to June 23, 2022) with an interest rate of -0.5 per cent were met. The negative interest to be accrued is determined in each case over the total term of the respective TLTRO tranche.

In the current financial year, negative interest from the TLTRO III programs in the amount of € 50,422 thousand was thus recognized in net interest income (resulting in an increase of € 35,307 thousand compared to the negative interest of € 15,115 thousand recognized in the previous year's results).

Other liabilities

As at 31 December 2021, other liabilities amounted to € 2,512,340 thousand (31/12/2020: € 2,687,538 thousand). This item also contains liabilities from treasury transactions (primarily negative market values arising from derivatives in the trading book, as well as accrued interest from derivatives in the banking book – for details, refer to the table on open forward transactions) in the amount of € 1,840,826 thousand (31/12/2020: € 1,854,756 thousand) and liabilities of € 201,680 thousand (31/12/2020: € 288,623 thousand) from short positions in bonds. The fair market value of the hedges for capital guarantees for funds is € 45,211 thousand (31/12/2020: € 79,633 thousand). The item also includes accrued interest for additional capital of € 249,506 thousand (31/12/2020: € 242,229 thousand), liabilities from tax transfers (corporate income tax) and liabilities from creditable capital yields and withholding tax toward Group members totaling € 23,125 thousand (31/12/2020: € 29,417 thousand).

The other liabilities also contain expenses in the amount of € 331,473 thousand (31/12/2020: € 300,506 thousand), for which payment is to be made after the reporting date.

Provisions

Provisions amount to € 67,038 thousand (31/12/2020: € 75,611 thousand) for severance payments, € 67,748 thousand (31/12/2020: € 75,447 thousand) for pensions, € 7,509 thousand (31/12/2020: € 6,409 thousand) for tax provisions, and € 599,704 thousand (31/12/2020: € 299,554 thousand) for other provisions. Reinsurance policies for pension provisions are in place in the amount of € 14,011 thousand (31/12/2020: € 14,659 thousand). In the financial year under review these were offset with claims of the same amount.

Out of the tax provisions of € 7,509 thousand, € 6,500 thousand relate to provisions for corporate income tax from 2020, while € 1,009 thousand relate to provisions for corporate income tax from 2016.

The increase in other provisions resulted mainly from litigation risks and provisions for other expenses from incoming invoices. The litigation risks increased in connection with litigation on foreign currency loans in Poland, which is described below. The increase in provisions for other expenses for incoming invoices is attributable to the fast close implemented for the first time in the financial year 2021 and the resulting earlier invoice acceptance deadline for the posting of incoming invoices.

Provision for impending loss

As of 31/12/2021, a provision for impending loss is recognized in the amount of € 30,848 thousand (31/12/2020: € 44,063 thousand) for derivatives valued as functional units and for hedging derivatives valued individually on an imparity basis.

Litigation risk provision for foreign currency loans in Poland

In Poland, a significant number of civil lawsuits are pending in relation to certain contractual stipulations connected with consumer mortgage loans denominated in or indexed to foreign currencies. As at the end of December 2021, the total amount in dispute was approximately PLN 1,994,000 thousand (€ 434,000 thousand). The number of lawsuits continues to increase. In this context, a Polish court requested the European Court of Justice (ECJ) to clarify whether certain clauses in these agreements breach European law and are unfair. The ECJ's preliminary ruling (C-260/18) in October 2019 does not answer whether the loan agreements are invalid in whole or part but merely gives interpretative guidance on the principles according to which the national courts must decide in each individual case. According to this, a loan agreement without unfair terms should remain valid provided that it is in conformity with national law. If a loan agreement cannot remain valid without the unfair term, the entire contract would have to be annulled. If the annulment of the entire contract triggers material negative consequences for the borrower, the Polish courts can replace the unfair term by a valid term in accordance with national law. The consequences of the contract being annulled must be carefully examined so that the borrower can consider all potential negative consequences of annulment. However, the consequences of canceling an annulled loan agreement remain unclear and may be serious for the borrower, for example due to the obligation to repay the loan immediately including the costs of using the loan amount. It remains to be seen how the principles developed by the ECJ will be applied under national law on a case-by-case basis.

In another proceeding involving RBI, the District Court for Warszawa-Wola in Warsaw requested the ECJ to issue a preliminary ruling concerning the way in which the contractual provisions concerning the rules for determining the buying and selling rates for foreign currency are to be formulated in the case of consumer mortgage loans indexed to a foreign currency.

In the judgement of 18 November 2021 in case C-212/20, the ECJ considered that the content of a clause of a loan agreement that sets the buying and selling prices of a foreign currency to which the loan is indexed must enable a reasonably well informed and reasonably observant consumer, based on clear and intelligible criteria, to understand the way in which the foreign currency exchange rate used to calculate the amount of the repayment instalments is set. Based on information specified in such a provision, the consumer must be able to determine on his or her own, at any time, the exchange rate applied by the entrepreneur. In the justification the ECJ specified that a provision that does not enable the consumer to determine the exchange rate himself or herself is unfair. Moreover, the ECJ indicated in said judgement that the national court, when the considered term of a consumer contract is unfair, is not allowed to interpret that term in order to remedy its unfairness, even if that interpretation would correspond to the common intention of the parties to that contract. Only if the invalidity of the unfair term were to require the national court to annul the contract in its entirety, thereby exposing the consumer to particularly unfavorable consequences, so that the consumer would thus be penalized, the national court might replace that term with a supplementary provision of national law. The ECJ therefore did not entirely preclude national courts hearing such cases from supplementing the contract with supplementary provisions of national law, but gaps may not be filled solely with national provisions of a general nature and such remedy may be applied only in strictly limited cases as specified by the ECJ. The assessment of an unfair nature of contractual provisions as well as the decision concerning supplementation of the contract after removal of unfair contractual clauses, however, still falls within the competence of the national court hearing the case. The ECJ did not determine at all whether, in the consequence of the above-mentioned actions, the entire foreign currency contract is to be annulled.

The current judicial practice of Polish courts is already consistent with the ECJ's preliminary ruling and, thus, unfavorable for banks holding consumer mortgage loans indexed to a foreign currency. The respective clauses, depending on the assessment made by the national court hearing the case, may not meet the requirements as specified in the above ECJ judgement.

A significant inflow of new cases has been observed since the beginning of 2020 as a result of the ECJ preliminary ruling and of intensified marketing activity by law firms acting on behalf of borrowers. Such an increased inflow of new cases has not only been observed by RBI's Polish branch, but by all banks handling currency loan portfolios in Poland.

Furthermore, Polish courts have approached the ECJ with requests for a preliminary ruling in other civil proceedings. That ruling could lead to further clarifications and may influence how court cases concerning foreign currency loans are decided by national Polish courts.

The impact assessment in relation to affected FX-indexed or FX-denominated loan agreements may also be influenced by the outcome of ongoing administrative proceedings conducted by the President of the Office of Competition and Consumer Protection (UOKiK) against RBI's Polish branch. Such administrative proceedings are, inter alia, based on the alleged practice of infringing collective consumer interests as well as on the classification of clauses in standard agreements as unfair. As at this point of time, it is uncertain what the potential impact of said proceedings could be on FX-indexed or FX-denominated loan agreements and RBI. Furthermore, such proceedings could result in the imposition of administrative fines on RBI's Polish branch – and in the event of appeals – in administrative court proceedings.

Moreover, the Polish Financial Ombudsman, acting on behalf of two borrowers, has initiated a civil proceeding against RBI alleging employment of unfair commercial practices towards consumers in respect of a case in which RBI – following the annulment of a loan agreement – claimed the full loan amount originally disbursed without taking into account repayments made in the meantime as well as amounts due for the use of capital by the borrowers based on the principle of unjust enrichment, and has demanded that RBI discontinue such practices.

At the end of December 2020, the Chair of the Polish Financial Supervisory Authority (PFSA) – which is referred to by its Polish abbreviation, KNF – launched an initiative to resolve the ongoing public system debate and the related rising tide of litigation surrounding FX-indexed or FX-denominated (mainly Swiss franc) mortgages. At the suggestion of KNF, Polish banks were asked to evaluate a proposal for a possible settlement with CHF mortgage customers where the customers' mortgages would be treated as if granted in zloty at a WIBOR-based interest rate (plus a margin historically applied to zloty-based mortgages). Financially, the proposed resolution scheme would thus not only remove a controversial element from the CHF mortgages – the basis for setting the exchange rate – but also retroactively eliminate all FX risk and transfer the related financial burden to the bank. RBI ultimately decided to withdraw from the working group established to analyze KNF's proposal as RBI considered that it would not lead to a socially and economically equitable solution; in particular, the proposed resolution scheme – being on a voluntary basis – would not provide adequate legal certainty and would not be capable of ruling out further litigation on the same or related matters.

In this connection, and in view of what is currently perceived as a diverging judicial interpretation of Polish laws, the President of the Supreme Court of the Republic of Poland announced on 29 January 2021 a petition for the Supreme Court to deliver a leading judgment on certain key questions considered pivotal for the resolution of pending litigation surrounding FX-indexed or FX-denominated mortgages. The Supreme Court judgment is intended to unify the currently diverging decision practice of the Polish courts and clarify questions on which case law is fragmentary or non-uniform. The questions published by the Supreme Court would address, firstly, the problem of whether and in what form a mortgage can remain in place if contract terms relating to the setting of the exchange rate for conversion are deemed void and, secondly, the legal issues surrounding any cancellation of contract between the parties, including the statute of limitations for their respective claims, in the event that the mortgage agreement is voided in its entirety due to a potentially unlawful contract term. RBI hopes that these leading judgments will lead to the resolution of the large number of cases before the Polish courts and – looking to the future – to a workable solution for the problem of FX mortgages as a whole.

RBI has recognized a provision for the lawsuits filed in Poland. As lawsuits have been filed by a number of customers, the provision is based on a statistical approach that takes into account both statistical data, where relevant, and expert opinions. Possible decision scenarios have been estimated together with the expected loss rates per scenario. The expected impact is based on loans from customers who have filed or are expected to file a lawsuit against the bank. To calculate the financial impact per scenario, the claim amount is multiplied by the estimated financial outflow in the scenario and the probability that the bank will ultimately have to pay compensation to the customer. An appropriate discount rate is applied to outflows that are not expected to arise within one year. The financial impacts of the individual scenarios are weighted on the basis of expert opinions. The resulting provision has been increased to € 364,000 thousand (previous year: € 89,000 thousand). The main uncertainties associated with the calculation of the provision relate to a potentially higher number of claims and an increase in the probability of losing the court cases.

When calculating the CHF provision for lawsuits filed in Poland, it is necessary to form a view on matters that are inherently uncertain, such as regulatory pronouncements, the number of future complaints, the extent to which they will be upheld and the impact of legal decisions that may be relevant to claims received. The total amount provided for CHF loans in Poland represents RBI's best estimate of the likely future cost. However, a number of risks and uncertainties remain and the cost could therefore differ from the RBI's estimates and the assumptions underpinning them and result in a further provision being required. As a result, a negative legal decision for the bank can lead to a significant increase in the provision.

RBI has around 31,000 Swiss franc loans outstanding. These include loans that are not expected to be the subject of litigation. The total amount of the provision for CHF loans in Poland represents RBI's best estimate of the future outflow of economic benefits. In calculating the CHF provision for lawsuits filed in Poland, it is nevertheless necessary to form an opinion on matters that are inherently uncertain, such as official pronouncements, the number of future lawsuits, the probability of losing court cases and the impacts of court decisions that lead to negative scenarios.

The sensitivity of the uncertainties to a 10-percentage point change in a specific parameter while holding all other parameters constant is shown in the table below:

	2021		2020	
in € million	10 percentage point increase	10 percentage point decrease	10 percentage point increase	10 percentage point decrease
Change in the number of future lawsuits	36	-36	8	-8
Change in the probability of losing court cases	47	-47	15	-15
Change in the negative scenario	22	-22	9	-9

Other provisions

in € thousand	31/12/2021	31/12/2020
Losses on bankbook interest rate derivatives	30,848.2	44,062.7
Guarantee loans	40,242.7	34,146.5
Process risks	368,148.8	92,887.9
Bonus payments	43,782.5	38,617.9
Anniversary payments and birthday payments	40,534.9	41,487.7
Overdue vacation	27,317.8	25,283.9
Restructuring costs	1,291.8	1,401.3
Supervisory Board fees	1,123.3	857.2
Operational risk/losses/other	18,022.8	8,239.6
Audit costs	688.2	4.5
Other expenses/outstanding invoices	27,703.0	12,564.9
Total	**599,704.0**	**299,554.1**

Tier 2 capital according to part two, title I, chapter 4 of regulation (EU) no. 575/2013

As at 31 December 2021, tier 2 capital amounts to € 2,712,617 thousand (31/12/2020: € 2,791,732 thousand).

Company tier 2 capital according to CRR:

in € thousand	31/12/2021	31/12/2020
6.625% RBI bonds 2011-2021	0.0	14,698.5
6% RBI debt securities issued 2013-2023	335.3	1,294.7
RBI SUB.CALL.NTS 20-32	980.3	1,553.0
RBI NFS 19-30/S193T1	2,045.7	101.1
RBI SUB. BONDS 21-33	2,194.8	0.0

In the reporting year, no issuances of Tier 2 capital took place (31/12/2020: € 269,443 thousand), nor were any covered bonds redeemed (31/12/2020: € 700,000 thousand). As a result, this line item had no impact on earnings for the financial year 2021 (31/12/2020: loss of € 61 thousand).

Subordinated liabilities

List of subordinated loans (including tier 2 capital) that exceed 10 per cent of the total subordinated liabilities of € 2,712,617 thousand (i.e. that exceed € 271,261 thousand):

Name	Nominal value in € thousand	Maturity date	Interest rate
Subordinated Notes 2033 Serie 231	500,000	17/06/2033	1,375%
Subordinated Notes 2032 Serie 215	500,000	18/06/2032	2,875%
Subordinated Notes 2030 Serie 193	500,000	12/03/2030	1,500%
Subordinated Notes 2023 Serie 45	500,000	16/10/2023	6,000%

No regulations exist in relation to the aforementioned liabilities concerning any conversion.

Expenses for subordinated liabilities

The expenses for subordinated liabilities in the financial year amount to € 113,533 thousand (2020: € 130,950 thousand[1]).

Additional tier 1 capital

No additional tier 1 capital was issued in 2021. With the AT1 capital placed to date in the volume of € 1,650,000 thousand (€ 650,000 thousand in 2017, € 500,000 thousand in 2018 and € 500,000 thousand in 2020), RBI AG has currently completed its planned AT1 issuance program. Additional tier 1 capital, including accrued interest, as of December 31, 2021 amounts to € 1,654,264 thousand (31/12/ 2020: € 1,654,264 thousand). The discount in the amount of € 10,126 thousand is carried as a deferred expense until the applicable first call date (15 December 2022, 15 June 2025, and 15 December 2026).

Assets and liabilities in foreign currency

in € thousand	31/12/2021	31/12/2020
Assets in foreign currency	20,500,926.3	12,684,209.6
Liabilities in foreign currency	14,985,628.8	11,174,379.2

Equity

Subscribed capital

As of 31 December 2021, the capital stock of RBI AG pursuant to its articles of association was unchanged at € 1,003,266 thousand. The nominal capital consists of 328,939,621 no-par-value shares (bearer shares). After deduction of 322,204 own shares, the stated subscribed capital totaled € 1,002,283 thousand.

Own shares

The Annual General Meeting held on 20 October 2020 authorized the Management Board pursuant to § 65 (1) 8, § 65 (1a) and § 65 (1b) of the AktG to purchase own shares and to retire them if appropriate without requiring any further prior resolutions to be passed by the Annual General Meeting, though without the approval of the purchase by the Supervisory Board can also be effected off-exchange under the exclusion of the shareholders' pro rata tender right. Own shares, whether already purchased or to be purchased, may not collectively exceed 10 per cent of the company's share capital. The authorization to purchase own shares expires 30 months after the date of the Annual General Meeting resolution, i.e. until 19 April 2023. The acquisition price for repurchasing the shares may be no lower than € 3.05 per share and no higher than 10 per cent above the average unweighted closing price over the ten trading days prior to exercising this authorization.

The Management Board was further authorized, pursuant to Section 65 (1b) of the Stock Corporation Act (Aktiengesetz – AktG), to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights, and to stipulate the terms of sale. Shareholders' subscription rights may only be ex-clouded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses, operations or stakes in one or several companies in Austria or abroad. This authorization may be exercised in whole, in part or in several partial amounts for one or more purposes by the company, a subsidiary (Section 189a 7 UGB) or by third parties for the account of the company or a subsidiary and remains in force for five years from the date of this resolution, i.e. until 19 October 2025.

Since that time, no own shares were purchased on the basis of the lapsed authorization from June 2018 nor on the basis of the current authorization from October 2020.

The Annual General Meeting of 20 October 2020 also authorized the Management Board, under the provisions of Section 65 (1) 7 of the AktG, to purchase own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 19 April 2023), provided that the trading portfolio of shares purrchased for this purpose does not at the end of any given day exceed 5 per cent of the company's respective share capital. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition.

Authorized capital

Pursuant to Section 169 AktG, the Management Board has been authorized since the Annual General Meeting of 13 June 2019 to in-crease the share capital with the approval of the Supervisory Board – in one or more tranches – by up to € 501,632,920.50 through the issuance of up to 164,469,810 new voting common bearer shares in exchange for contributions in cash and/or in kind (including by way of the right of indirect subscription by a bank pursuant to Section 153 (6) of the AktG) by 2 August 2024 at the latest and to fix the offering price and terms of the issue with the approval of the Supervisory Board. The Management Board is further authorized to exclude shareholders' statutory subscription rights with the approval of the Supervisory Board (i) if the capital increase is carried out in exchange for contributions in kind, or (ii) if the capital increase is carried out in exchange for contributions in cash and the shares issued under the exclusion of subscription rights do not exceed 10 per cent of the company's share capital (exclusion of subscription rights).

No use has been made to date of the authority granted in June 2019 to utilize the authorized capital.

Capital reserves

The committed capital reserves of € 4,334,286 (31/12/2020: € 4,334,286 thousand) and the uncommitted capital reserves of € 97,066 thousand (31/12/2020: € 97,066 thousand) remained unchanged over the entire financial year.

Retained earnings

Retained earnings consist of legal reserves of € 5,500 thousand (31/12/2020: € 5,500 thousand) and other free reserves amounting to € 2,679,665 thousand (31/12/2020: € 2,403,752 thousand). Of the other free reserves, an amount of € 352,661 thousand (31/12/2020: € 323,748 thousand) is allocated to the Raiffeisen IPS. An amount of € 28,783 thousand (31/12/2020: € 58,431 thousand) was allocated to other reserves in the 2021 financial year as a reserve for the Raiffeisen institutional protection scheme (Raiffeisen IPS) based on the agreement to establish an institutional protection scheme and a corresponding resolution by the Raiffeisen IPS Joint Risk Council. The Raiffeisen IPS reserve is not eligible for inclusion in the calculation of own funds pursuant to CRR. An additional € 247,000 thousand (31/12/2020: € 46,000 thousand) was allocated to other free reserves from the profit for the year after tax.

Liability reserves

As at 31 December 2021, liability reserves stood at € 535,097 thousand (31/12/2020: € 535,097 thousand).

Additional notes

Notes on liability arrangements

In the government-promoted, subsidized forward private planning scheme, RBI AG has issued capital guarantee obligations in accordance with Section 108h (1) 3 of the Income Tax Act (EStG). In this context, the bank guarantees that in the event of transferring the capital into a perpetual annuity the payment amount available for this annuity is not less than the sum of the contributions made by the taxpayer plus the premiums credited to this taxpayer pursuant to Section 108g EStG. As at 31 December 2021, the volume of these guarantees was € 780,503 thousand (31/21/2020: € 695,956 thousand).

Raiffeisen-Kundengarantiegemeinschaft Austria (RKÖ)

RBI AG is a member of Raiffeisen-Kundengarantiegemeinschaft Austria (Raiffeisen Customer Guarantee Scheme Austria (RKÖ)). The members of this association have a contractual obligation to guarantee jointly the punctual fulfillment of the entirety of an insolvent association member's commitments arising from customer deposits and its own issues up to the limit of the sum of the individual capacities of the remaining association members. The individual capacity of an association member is measured on the basis of its freely available reserves subject to the pertinent provisions of the Austrian Banking Act (BWG).

In view of legal and regulatory changes and implementation of an institutional protection scheme, RKÖ and its member institutions decided in 2019 to discontinue the scheme for new transactions. Accordingly, the supplementary protection by RKÖ only applies to covered claims against members that arose before 1 October 2019. Customers' rights under the statutory deposit guarantee scheme are unaffected by this and remain in full force and effect.

Institutional Protection Scheme (R-IPS)

On 21 December 2020, Raiffeisen Bank International AG, the regional Raiffeisen banks, and the Raiffeisen banks submitted applications to the FMA and the ECB to set up a new institutional protection scheme (Raiffeisen-IPS), consisting of RBI and its Austrian subsidiary banks, all regional Raiffeisen banks and the Raiffeisen banks and to join a cooperative under the name of Österreichische Raiffeisen-Sicherheitseinrichtung eGen for the purpose of statutory deposit protection and investor compensation as defined by the ESAEG. Contractual or statutory liability agreements have been concluded to protect the participating institutions from each other, and particularly ensure their liquidity and solvency if required.

This new Raiffeisen-IPS was legally approved by the ECB on 12 May 2021 and the FMA on 18 May 2021. In addition, this new IPS was recognized by the FMA as a deposit guarantee and investor compensation system in accordance with ESAEG on 28 May 2021. The institutions of the Raiffeisen Banking Group therefore withdrew from the Austrian deposit insurance (ESA) on 29 November 2021 in accordance with the statutory provisions of the ESAEG.

The previously existing institutional protection schemes at federal and state level (B-IPS and L-IPS) were dissolved in accordance with the notification for the Raiffeisen-IPS in June 2021 and their special assets were transferred to the new Raiffeisen-IPS. The Österreichische Raiffeisen-Sicherheitseinrichtung eGen (ÖRS, formerly Sektorrisiko eGen) will be responsible for early risk identification and reporting for the Raiffeisen-IPS and will in particular manage the funds for the IPS and the fund for the statutory deposit protection. The Raiffeisen-IPS is controlled by the overall risk council, which is made up of representatives of RBI, the regional Raiffeisen banks and representatives of the Raiffeisen banks. In performing its tasks, this is supported, among others, by regional risk councils at the level of the federal states.

Letters of comfort

As at 31 December 2021, soft letters of comfort in the amount of € 230,460 thousand (31/12/2020: € 269,638 thousand) had been issued.

The volume of liabilities to affiliated companies amounted to € 921,955 thousand as at 31 December 2021 (31/12/2020: € 957,668 thousand).

Open capital commitments on share capital in the amount of € 5,600 thousand (31/12/2020: € 5,600 thousand) exist vis-a-vis European Investment Fund S.A., Luxembourg.

Contingent liabilities off the statement of financial position of RBI AG of € 7,436,706 thousand were reported as at 31 December 2021 (31/12/2020: € 5,902,444 thousand). Of that amount, € 5,940,323 thousand (31/12/2020: € 5,013,517 thousand) was attributable to guarantees and € 1,496,382 thousand (31/12/2020: € 888,927 thousand) to letters of credit.

As at 31 December 2021, € 18,850,115 thousand (31/12/2020: € 15,955,549 thousand) in credit risk was reported under liabilities off the statement of financial position. In the reporting year, this credit risk was fully attributable to unused, irrevocable credit lines.

There are no other transactions with material risks or benefits that are not reported on or off the statement of financial position.

Total capital according to CCR

in € thousand	31/12/2021	31/12/2020
Capital instruments and the related share premium accounts	5,414,618	5,414,618
Retained earnings	2,869,321	2,614,406
Accumulated other comprehensive income (and other reserves)	0	0
Minority interests (amount allowed in CET1)	0	0
Common equity tier 1 (CET1) capital before regulatory adjustments	**8,283,939**	**8,029,025**
Additional value adjustments (negative amount)	(43,904)	(29,211)
Intangible assets (net of related tax liability) (negative amount)	(33,953)	(38,495)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(481)	(168)
Fair value reserves related to gains or losses on cash flow hedges	0	0
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	0
Exposure amount of the following items which qualify for a risk weight of 1250%, where the institution opts for the deduction alternative	0	0
hereof: securitization positions (negative amount)	0	0
Other regulatory adjustments	(15,523)	0
Total regulatory adjustments to common equity tier 1 (CET1)	**(93,861)**	**(67,874)**
Common equity tier 1 (CET1) capital	**8,190,078**	**7,961,151**
Capital instruments and the related share premium accounts	1,639,874	0
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	0
Qualifying tier 1 capital included in AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	0	1,594,014
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**(50,000)**	**0**
Additional tier 1 (AT1) capital	**1,589,874**	**1,594,014**
Tier 1 capital (T1 = CET1 + AT1)	**9,779,951**	**9,555,165**
Capital instruments and the related share premium accounts	1,914,305	1,757,586
Qualifying own funds instruments included in T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	0	0
Credit risk adjustments	182,780	175,086
Tier 2 (T2) capital before regulatory adjustments	**2,097,084**	**1,932,672**
Total regulatory adjustments to Tier 2 (T2) capital	**(55,000)**	**0**
Tier 2 (T2) capital	**2,042,084**	**1,932,672**
Total capital (TC = T1 + T2)	**11,822,036**	**11,487,837**
Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	**47,358,183**	**42,509,464**
Total risk-weighted assets (RWA)	**47,358,183**	**42,509,464**

Own funds requirements and risk-weighted assets

in € thousand	31/12/2021		31/12/2020	
	Risk-weighted exposure	Capital requirement	Risk-weighted exposure	Capital requirement
Total risk-weighted assets (RWA)	**47,358,183**	**3,788,655**	**42,509,464**	**3,400,757**
Risk-weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**41,042,783**	**3,283,423**	**35,867,672**	**2,869,414**
Standardized approach (SA)	**3,844,101**	**307,528**	**3,987,422**	**318,994**
Exposure classes excluding securitization positions	3,844,101	307,528	3,987,422	318,994
Central governments and central banks	0	0	0	0
Regional governments or local authorities	10,707	857	10,683	855
Public sector entities	0	0	18,998	1,520
Institutions	2,368	189	37,801	3,024
Corporates	66	5	3,973	318
Retail	112,672	9,014	133,846	10,708
Receivables secured by real estate	3,072,469	245,798	3,193,606	255,488
Exposure in default	27,952	2,236	28,783	2,303
Items associated with particular high risk	0	0	0	0
Covered bonds	0	0	0	0
Collective investments undertakings (CIU)	18,074	1,446	18,842	1,507
Participating interests	196,697	15,736	176,594	14,128
Other items	403,095	32,248	364,296	29,144
Internal ratings based approach (IRB)	**37,198,681**	**2,975,895**	**31,880,249**	**2,550,420**
IRB approaches when neither own estimates of LGD nor conversion factors are used	**21,669,447**	**1,733,556**	**18,435,610**	**1,474,849**
Central governments and central banks	64,511	5,161	15,719	1,258
Institutions	2,457,244	196,580	2,442,141	195,371
Corporates - SME	278,127	22,250	124,508	9,961
Corporates - Specialized lending	1,460,255	116,820	1,339,339	107,147
Corporates - Other	17,409,310	1,392,745	14,513,903	1,161,112
IRB approaches when neither own estimates of LGD nor conversion factors are used	**0**	**0**	**0**	**0**
Participating interests	15,497,394	1,239,792	13,444,639	1,075,571
Simple risk weight approach	0	0	0	0
Other equity exposure	0	0	0	0
PD/LGD approach	0	0	0	0

in € thousand	31/12/2021		31/12/2020	
	Risk-weighted exposure	Capital requirement	Risk-weighted exposure	Capital requirement
Risk exposure amount for settlement and delivery risk	**6,495**	**520**	**22**	**2**
Settlement/delivery risk in the non-trading book	6,441	515	0	0
Settlement/delivery risk in the trading book	54	4	22	2
Total risk exposure amount for position, foreign exchange and commodities risk	**3,150,561**	**252,045**	**3,403,538**	**272,283**
Risk exposure amount for position, foreign exchange and commodities risks under standardized approaches (SA)	**581,744**	**46,540**	**774,595**	**61,968**
Traded debt instruments	572,704	45,816	772,695	61,816
Participating interests	7,304	584	669	54
Particular approach for position risk in CIUs	352	28	0	0
Foreign exchange	0	0	0	0
Commodities	1,385	111	1,232	99
Risk exposure amount for position, foreign exchange and commodities risks under internal models (IM)	**2,568,817**	**205,505**	**2,628,942**	**210,315**
Total risk exposure amount for operational risk	**2,904,129**	**232,330**	**2,888,308**	**231,065**
OpR standardized (STA) /alternative standardized (ASA) approaches	2,904,129	232,330	2,888,308	231,065
OpR advanced measurement approaches (AMA)	0	0	0	0
Total risk exposure amount for credit valuation adjustments	**151,126**	**12,090**	**171,013**	**13,681**
Standardized method	151,126	12,090	171,013	13,681
Other risk exposure amounts	**103,089**	**8,247**	**178,911**	**14,313**
Of which: Risk-weighted exposure amounts for credit risk: securitization positions (revised securitization framework)	103,089	8,247	178,911	14,313

Equity ratios[1]

in per cent	31/12/2021	31/12/2020
Common equity tier 1	17.3%	18.7%
Tier 1 ratio	20.7%	22.5%
Total capital ratio	25.0%	27.0%

1 Fully loaded

Leverage ratio

in € thousand	31/12/2021	31/12/2020
Leverage exposure	91,087,536	82,058,217
Tier 1	9,779,951	9,555,165
Leverage ratio in per cent[1]	**10.7%**	**11.6%**

1 Fully loaded

Notes to the income statement

Income by geographic market in accordance with section 64 (1) 9 BWG

A regional allocation to segments according to the business outlets' registered offices results in the following distribution:

2021 in € thousand	Total	Austria	Rest of Europe	Asia
Interest receivable and similar income	688,163.1	655,741.2	31,119.1	1,302.8
hereof: from fixed-income securities	41,198.6	41,185.9	0.0	12.6
Income from variable-yield securities and participations	841,438.1	841,438.1	0.0	0.0
Commissions receivable	476,733.0	473,532.9	3,200.1	0.0
Net profit or net loss on financial operations	(186,492.8)	(190,895.7)	3,441.5	961.5
Other operating income	275,287.3	271,776.1	3,438.8	72.4

2020 in € thousand	Total	Austria	Rest of Europe	Asia
Interest receivable and similar income	795,678.4	756,434.2	38,180.6	1,063.6
hereof: from fixed-income securities	73,230.5	73,203.6	0.0	26.9
Income from variable-yield securities and participations	779,849.0	779,849.0	0.0	0.0
Commissions receivable	367,686.8	363,752.6	3,934.2	0.0
Net profit or net loss on financial operations	148,291.7	143,683.1	2,587.2	2,021.3
Other operating income	227,901.0	227,063.4	820.4	17.1

Negative interest rates

Due to the low interest rate situation prevailing in the financial year 2021 as well, an expense, resulting from negative interest for loans and advances, was shown in an amount of € 50,456 thousand (2020: € 34,094 thousand) in the item interest receivable and similar income. This contrasted with income of € 199,833 thousand (2020: € 109,376 thousand) resulting from negative interest for liabilities which was shown in the item interest payable and similar expenses. The larger volume is responsible for the increase in income resulting from negative interest.

Other operating income

Other operating income includes staff and administrative expenses passed on for services in the amount of € 103,870 thousand (2020: € 90,620 thousand), income from releases of provisions for impending losses from derivatives in the amount of € 28,751 thousand (2020: € 12,573 thousand), income from close-out fees for derivatives on the banking book in an amount of € 16,832 thousand (2020: € 98,918 thousand), as well as income from the release of other provisions in the amount of € 917 thousand (2020: € 897 thousand).

Staff expenses

Expenses for severance payments and benefits for occupational employee pension funds include € 3,769 thousand (2020: € 2,793 thousand) in expenses for severance payments.

Other administrative expenses

The auditor expenses for the financial year, broken down by service, are presented in the consolidated financial statements.

Sundry operating expenses

The sundry operating expenses increased € 109,019 thousand to € 357,076 thousand in 2021. This includes allocations for provisions for pending losses for banking book derivatives in an amount of € 14,811 thousand (2020: € 26,140 thousand), allocations for other provisions for liabilities and charges of € 300,150 thousand (2020: € 62,592 thousand), expenses relating to the foreign branches in an amount of € 8,782 thousand (2020 € 10,716 thousand) as well as expenses deriving from close-out fees for banking book derivatives in an amount of € 26,553 thousand (2020: € 144,705 thousand).

Disposal and valuation of loans and advances and securities classified as current assets

Net income/expenses from the disposal and valuation of loans and advances and securities classified as current assets recorded a net expense - as in the previous year - of € 91,290 thousand (2020: minus € 94,301 thousand). This change derived, firstly, from a decrease in the net gain/loss on the valuation and disposal of marketable securities and banking book derivatives in the amount of € 17,303 thousand (2020: € 53,507 thousand) and, secondly, from an increase in the net gain/loss on the valuation of loans and advances as well as guarantees to an amount of minus € 73,987 thousand (2020: minus € 147,809 thousand). The need for new loan loss provisions has been reduced by the general economic recovery in 2021. RBI AG recognized net provisioning for individual loan loss provisions of € 37,989 thousand. This represented a year-on-year decrease of € 16,910 thousand. Over the course of the financial year under review, the overall economic situation has improved compared to 2020. Due to the positive long-term macroeconomic outlook, lower additions to portfolio-based loan loss impairments were made, and existing impairments were reversed in the amount of € 8,535 thousand. For the hotel, commercial and retail property segments, further model adjustments (post-model adjustments) of minus € 46,930 thousand (2020: minus € 70,322 thousand) had to be made due to the ongoing COVID-19 pandemic, travel restrictions and the slow progress of vaccinations. Compared to 2020, however, this corresponds to a decrease of € 23,392 thousand. As no recovery is expected in these segments in the near future, these model adjustments (post-model adjustments) from 2020 and 2021 have been replaced by more nuanced risk factors. In connection with the Russia-Ukraine conflict, additional portfolio-based loan loss provisions of minus € 7,724 thousand were recognized for potentially sanctioned customers. Adjustments to carrying amounts of negative € 4,485 thousand (2020: negative € 2,077 thousand) were realized on substantial and non-substantial contract modifications in the financial year. Income from extraordinary disposals of loans and advances amounted to € 6,271 thousand in the financial year (2020: € 950 thousand).

In the financial year under review, losses were realized on shares in investment funds in an amount of € 995 (2020: € 441 thousand). Income from dividends amounted to € 8 thousand (2020: € 0 thousand).

Disposal and valuation of securities evaluated as financial investments and of shares in affiliated companies and participating interests

The item net income/expenses from the disposal and valuation of securities evaluated as financial investments and of shares in affiliated companies and participating interests included reversals of write-ups in the amount of € 195,236 thousand, of which € 87,015 thousand was attributed to RBI-Invest-Holding GmbH, Vienna, and an amount of € 49,351 thousand to RZB-BLS Holding GmbH, Vienna. Shares in affiliated companies and equity participations were written down by € 12,938 thousand in total, including Fairo LLC, Kiev in the amount of € 4,304 thousand, and RBI PE Handels- und Beteiligungs GmbH, Vienna in the amount of € 4,790 thousand. In total, gains of € 186,003 thousand (2020: losses of € 304,643 thousand) on the valuation of shares in affiliated companies and equity participations were reported.

Overall, the disposal of shares in affiliated companies and equity participations led to net income of € 3,704 thousand (2020: € 4,290 thousand).

Group taxation

RBI AG is the group parent of a corporate group pursuant to Section 9 of the Corporation Tax Act (KStG). As at 31 December 2021, 52 companies were members of the group of companies (31/12/2020: 52 companies) in accordance with Section 9 of the Corporation Tax Act (KStG).

Overall return on assets

The overall return on assets (net loss or profit after tax divided by the average total assets) in 2021 was 0.71 per cent (2020: 0.34 per cent).

Profit contribution

The Annual General Meeting decided on 22 April 2021, taking the ECB`s recommendation on dividend distributions during the COVID-19 pandemic into account, to distribute a dividend of € 0.48 per dividend-entitled share and the remaining retained earnings to be carried forward. In addition, after the ECB`s recommendation on dividend restrictions had expired on 30 September 2021, the Management Board and the Supervisory Board proposed to the Extraordinary General Meeting on 10 November 2021 that an additional dividend of € 0.75 per dividend-entitled share be distributed for the 2020 financial year. This corresponds to a total distribution of € 246,704,714.75 and was distributed on 17 November 2021. In the 2021 financial year, a total of € 1.23 per share was distributed in dividends in two tranches.

Recommendation for the appropriation of profits

The Management Board of Raiffeisen Bank International AG will propose to the Annual General Meeting that a dividend of € 1.15 per share be distributed from the profit of the 2021 annual financial statements. Based on the shares issued, this would result in a maximum amount of € 377,910 thousand.

Other

The company did not conclude any significant transactions with related companies or persons at unfair market conditions.

In the financial year the company had an average of 3,238 employees (2020: 3,002).

Expenses for severance payments and pensions

	Pension expenditure		Severance payments	
in € thousand	2021	2020	2021	2020
Members of the managing board and senior staff	3,358	2,085	1,916	3,110
Employees	(2,483)	10,213	5,614	3,248
Total	**875**	**12,297**	**7,530**	**6,358**

The income from employees pensions in the financial year resulted on the one hand from the elimination of the obligation to make additional contributions to defined benefit plans related to departures and on the other hand from the adjustment of the financial parameters.

Management Board

Members of the Management Board	Original appointment	End of term
Johann Strobl, Chairman	22 September 2010[1]	28 February 2027
Andreas Gschwenter	1 July 2015	30 June 2023
Lukasz Januszewski	1 March 2018	28 February 2026
Peter Lennkh	1 October 2004	31 December 2025
Hannes Mösenbacher	18 March 2017	28 February 2025
Andrii Stepanenko	1 March 2018	28 February 2026

1 Effective as of 10 October 2010

Supervisory Board

Members of the Supervisory Board	Original appointment	End of term
Erwin Hameseder, Chairman	8 July 2010[1]	Annual General Meeting 2025
Martin Schaller, 1st Deputy Chairman	4 June 2014	Annual General Meeting 2024
Heinrich Schaller, 2nd Deputy Chairman	20 June 2012	Annual General Meeting 2022
Klaus Buchleitner	26 June 2013	Annual General Meeting 2025
Peter Gauper	22 June 2017	Annual General Meeting 2022
Wilfried Hopfner	22 June 2017	Annual General Meeting 2022
Rudolf Könighofer	22 June 2017	Annual General Meeting 2022
Reinhard Mayr	20 October 2020	Annual General Meeting 2025
Heinz Konrad	20 October 2020	Annual General Meeting 2025
Eva Eberhartinger	22 June 2017	Annual General Meeting 2022
Andrea Gaal	21 June 2018	Annual General Meeting 2023
Birgit Noggler	22 June 2017	Annual General Meeting 2022
Rudolf Kortenhof[2]	10 October 2010	Until further notice
Peter Anzeletti-Reikl[2]	10 October 2010	Until further notice
Gebhard Muster[2]	22 June 2017	Until further notice
Helge Rechberger[2]	10 October 2010	Until further notice
Natalie Egger-Grunicke[2]	18 February 2016	Until further notice
Denise Simek[2]	1 October 2021	Until further notice

1 Effective as of 10 October 2010.
2 Delegated by the Staff Council

State Commissioners

- Alfred Lejsek, State Commissioner (since 1 January 2011)
- Anton Matzinger, Deputy State Commissioner (since 1 April 2011 until 31 March 2021)
- Matthias Kudweis, Deputy State Commissioner (since 1 April 2021)

Remuneration of members of the Management Board

The following remuneration was paid to the Management Board:

in € thousand	2021	2020
Fixed remunerations	4,737	4,736
Bonus (performance-based)	2,808	2,751
Share-based remuneration (performance-based)	0	0
Payments to pension funds and reinsurance policies	375	384
Other remunerations	2,250	2,312
Total	**10,271**	**10,184**
hereof remuneration of affiliated companies	2,065	2,126

The fixed remuneration shown in the table contains salaries and benefits in kind.

The performance-based components of the Management Board's remuneration cover bonus payments. The bonuses reported above are immediately payable bonus amounts for 2020 and deferred bonus amounts for previous years.

Bonus calculation is linked to the achievement of annually agreed objectives. These cover four or five categories and in addition to specific objectives, include financial objectives which are specifically adjusted to the respective function, such as profit after tax in a segment, return on risk adjusted capital (RORAC), total costs, risk-weighted assets, customer, employee and process/efficiency and infrastructure objectives, plus other objectives where applicable. The amount of the bonus depends on the consolidated profit and on the cost/income ratio, and the objectives are derived from the Group's target medium-term ROE. Payment is made according to the applicable regulations of the Austrian Banking Act (BWG) implemented in the internal regulations (see employee compensation plans in the section recognition and measurement principles).

Other remuneration covers remuneration for functions in the boards of affiliated subsidiaries, insurance policies and grants.

An amount of € 1,319 thousand (2020: € 1,276 thousand) was paid in pension benefits to former members of the Management Board and to their surviving dependants. In addition to these amounts, short-term benefits and deferred bonus components as well as severance payments totaling € 2,566 thousand (2020: € 3,409 thousand) were paid to former members of the Management Board.

Remuneration of members of the Supervisory Board

in € thousand	2021	2020
Remunerations Supervisory Board	1,123	1,045

The Annual General Meeting held on 22 April 2021 approved a new remuneration model for the Supervisory Board, beginning in the 23 April 2021 and for the following years. It was decided to distribute the remuneration as follows: Chairman € 120 thousand, Deputy Chairman € 95 thousand, members of the Supervisory Board € 60 thousand, plus attendance fees, for the Chairman of the Audit Committee and the Risk Committee each additional € 17.5 thousand each.

In the 2021 financial year, no contracts subject to approval within the meaning of § 95 (5) 12 of the Austrian Stock Corporation Act (AktG) were concluded with members of the Supervisory Board.

Remuneration of members of the Advisory Council

in € thousand	2021	2020
Remuneration Advisory Council	185	179

The Annual General Meeting held on 21 June 2018 passed a resolution to grant remuneration to the Advisory Council members for their work. It was decided to distribute the remuneration as follows: Chairman € 25 thousand, Deputy Chairman € 20 thousand, each additional member € 15 thousand, plus attendance fees.

Events after the reporting date

Reduction in the corporate tax rate in Austria

In Austria, a tax reform which sees a gradual reduction in the corporate tax rate from 25 per cent to 23 per cent (2023: 24 per cent, from 2024: 23 per cent) was announced in October 2021. As the enactment of the reform came into force in January 2022, this is a non-adjusting event for the financial year 2021.

Vienna, 15 February 2022

The Management Board

Johann Strobl

Andreas Gschwenter

Łukasz Januszewski

Peter Lennkh

Hannes Mösenbacher

Andrii Stepanenko

Management report

Market development

Significant economic recovery after historic recession

After the vaccination campaigns had gained momentum in the spring of 2021, and COVID-19 infection rates began to decline, the business restrictions, which were tightened again towards the end of 2020, could be eased. This was accompanied by an economic upturn in the summer months. Though, supply bottlenecks weighed heavily on the industrial sector over the course of the year. Inflation rates reached multi-year highs, largely due to increased energy prices and supply chain problems. However, there was a renewed sharp rise in infection rates towards the end of the year. The restrictions subsequently reintroduced in many countries weighed on the economy in the final quarter of the year, albeit probably not to the same extent as in the previous year.

The gross domestic product of the euro area increased by around 5 per cent in 2021. The strong growth was marked by large fluctuations during the year. At the beginning of the year, the economy was in recession. The rebound in the second and third quarters pushed quarter-on-quarter growth rates to above 2 per cent. In the final quarter of the year, however, momentum again slowed significantly. In contrast, the inflation rate showed a steady upward trend. While year-on-year inflation was still minus 0.3 per cent in December 2020, the consumer price index showed an increase of 5 per cent at the end of 2021.

The monetary policy of the European Central Bank (ECB) ensured that money market rates (Euribor) remained closely aligned with the ECB deposit rate of minus 0.5 per cent in 2021. In March, the ECB responded to an unwelcome rise in long-term interest rates by increasing the monthly volume of bond purchases. It reduced the volume again somewhat in the fourth quarter. Towards the end of the year, the previously increased expectations of interest rate hikes declined moderately in light of renewed uncertainty relating to the pandemic. The ECB continued its large-volume asset purchase program, mainly government bonds, consolidating the dampening effects on capital market interest rates in the euro area.

The Austrian economy continued to be affected by restrictions on account of the pandemic in the first quarter of 2021. However, following the lifting of restrictions, a visible economic upturn set in during the second and third quarters that was stronger than in the euro area. In contrast to Germany, the industrial sector supported the economy into the autumn despite supply bottlenecks. However, a new lockdown was imposed at the end of November in response to sharply rising infections, which weighed heavily on the economy in the final quarter. Nevertheless, GDP for the entire 2021 year recorded an increase of just under 5 per cent (2020: decrease 6.7 per cent).

CEE: Pressure on central banks to act due to inflation surge

The CEE region also saw a significant rise in inflation rates in 2021. This reflected not only rising energy prices but also supply chain issues and the accompanying effects of the economic recovery (pent-up consumer demand and high investment). Inflationary pressure was strongest in Central and Eastern Europe, where price increases averaged 4.5 and 7.0 per cent p.a., respectively. In contrast, the average inflation rate in Southeastern Europe was just 4.0 per cent p.a. Price pressures are expected to ease somewhat by the end of 2022, albeit depending more on the global rather than local conditions, including supply bottlenecks and energy prices. A substantial tightening of monetary policy was observed in Central and Eastern Europe over the course of 2021. This was against the backdrop of less well-anchored inflation expectations than in Western countries, traditionally stronger correlations between producer and consumer prices, and the devaluation of local currencies. Particularly strong interest rate hikes by individual central banks (such as in the Czech Republic, Hungary or Russia), placed increased pressure on other central banks in the region - with a comparable environment - to take similar action. Moreover, use of unconventional monetary policy instruments and asset purchases in the CEE region has been limited to immediate crisis situations or already scaled back. Capital market interest rates are therefore not dampened by long-running asset purchases such as in the euro area.

The economies in Central Europe (CE) posted a strong recovery in 2021. As a result, many countries had already returned to pre-pandemic GDP levels by the second half of 2021. The main drivers of the economic upturn proved to be foreign demand, private consumption as well as investment, with fiscal policy also having a supportive effect. However, due to manufacturing making up a large share of their economies, the countries of the CE region were particularly impacted by disruptions in global supply chains. Political disagreements delayed the disbursement of EU funds for Poland and Hungary; however, this is not expected to change the economic outlook for these countries.

With an increase of 6.5 per cent in 2021, the economy in Southeastern Europe (SEE), saw a major rebound from the pandemic-induced slump of the previous year. This was due not least to the recovery of private consumption, which was supported by the resurgence of remittances in many countries (e.g. Albania, Kosovo) and the stronger-than-expected tourist season (e.g. Albania, Croatia). Most countries in the region reached pre-pandemic GDP levels earlier than elsewhere. However, the economic recovery in Bulgaria was comparatively moderate, which is related to the greater impact of the pandemic.

Eastern Europe (EE) recorded only moderate GDP growth in 2021, compared to CE and SEE. However, this should also be seen in context of the less drastic economic slump in 2020. In Belarus, as the effects of the newly imposed sanctions had not yet fully materialized, they did not severely impact the economy in 2021 (GDP increase: 1.7 per cent). In Ukraine, cooperation with the IMF continued to be difficult, but support was ultimately secured through an agreement. Russia's economy was supported by fiscal policy, rising oil and gas prices, strong consumer demand as well as industrial production, while the agricultural sector had a dampening effect.

Annual real GDP growth in per cent compared to the previous year

Region/country	2020	2021e	2022f	2023f
Czech Republic	(5.8)	3.3	4.1	3.7
Hungary	(5.2)	6.5	4.5	3.5
Poland	(2.7)	5.7	4.3	4.0
Slovakia	(4.4)	3.0	4.4	6.0
Slovenia	(4.2)	7.1	4.5	3.5
Central Europe	**(3.9)**	**5.1**	**4.3**	**4.0**
Albania	(4.0)	8.8	4.4	4.0
Bosnia and Herzegovina	(3.2)	6.8	3.6	3.5
Bulgaria	(4.2)	4.5	4.0	4.0
Croatia	(8.1)	9.2	4.4	4.1
Kosovo	(5.3)	10.4	4.7	4.0
Romania	(3.7)	6.2	4.7	4.5
Serbia	(0.9)	6.5	4.5	4.0
Southeastern Europe	**(4.0)**	**6.5**	**4.5**	**4.3**
Belarus	(0.9)	1.7	0.5	2.0
Russia	(3.0)	3.9	1.5	1.4
Ukraine	(3.8)	3.0	3.3	3.2
Eastern Europe	**(3.0)**	**3.8**	**1.7**	**1.6**
Austria	**(6.7)**	**4.9**	**4.5**	**2.2**
Euro area	**(6.5)**	**5.2**	**4.0**	**2.5**

Source: Raiffeisen Research, as of beginning of February 2022, (e: estimate, f: forecast); subsequent revisions are possible for years already completed

Banking sector in Austria

Austrian banks' return on assets recovered significantly in 2021, toward the pre-pandemic level of 0.7 per cent. This was the result of a decline in risk costs, an improvement in fee and commission income, and a recovery in the profitability of large CE/SEE subsidiaries. Despite expiring loan repayment moratoriums, credit risks in the banking system remained subdued and the NPL ratio fell to below 1.5 per cent (Austrian loan portfolio). This was supported by brisk lending in a favorable funding environment, including access to the euro system's TLTROs. The volume of both retail and corporate loans reached growth rates of around 5 per cent p.a. during 2021, with raised demand for housing loans and recovery in corporate investment being key drivers. Despite the observed balance sheet growth, regulatory oversight of the banks' capital allocation helped maintain the strong capital position of Austrian banks with a CET1 ratio of 16 per cent.

Development of the banking sector in CEE

In course of the general economic recovery, which aided a decline in risk costs and a normalization of lending, CEE banks had a strong recovery in 2021. Despite the renewed uptick in COVID-19 cases at the end of the year, the EE banks' return on equity was above 20 per cent and reached solid levels of between 10 to 13 per cent in CE/SEE. The revival of personal loans complemented the stable mortgage lending segment, while lending to businesses eventually also gained momentum as the investment cycle picked up steam. Government support measures kept NPL ratios low, though banks' Stage 2 loans still present some degree of unresolved credit risk. In some countries, Stage 2 loans remained particularly high at 15 to 20 per cent (Romania, Slovakia), while fluctuating around 10 per cent in many others. With inflationary pressures mounting, monetary tightening became one of the main issues, particularly in Russia, Ukraine, the Czech Republic, Hungary and Poland. The increase in interest rates has so far proved favorable for the banks' net interest margins, which showed signs of bottoming out in CE/SEE.

Regulatory environment

ECB supervisory priorities for banks under Single Supervisory Mechanism (SSM)

- Credit risk managment: The ECB expected the COVID-19 pandemic and the resulting deterioration of the macroeconomic environment to have a negative impact on banks' asset quality. Noting that support measures, including monetary actions, as well as fiscal, regulatory and supervisory measures, have managed to avert a new financial crisis as intended. The ECB focused its banking supervisory efforts on assessing the adequacy of banks' credit risk management, as well as of their operations, monitoring and reporting.
- Capital strength: Elevated credit risk combined with potential market adjustments may lead to the deterioration of banks' capital ratios. The ECB highlighted the necessity of sound capital planning that is based on capital projections and adaptable to a rapidly changing environment, especially during a crisis situation.
- Business model sustainability: Profitability and banks' business model sustainability remained a key concern. The supervisory authorities placed particular focus on banks' digital transformation processes.
- Governance: The ECB sees strong governance by management bodies as an essential driver in overcoming a crisis. Governance and crisis risk management frameworks were therefore closely monitored. Further focus areas included banks' risk data aggregation capabilities, IT and cyber risk management practices and governance, as well as on controlling risks arising from outsourcing services to third parties, money laundering and the financing of terrorism.

New regulations in 2021

Finalization of Basel III (CRR III / CRD VI)

The CRR III / CRD VI package (Basel IV) transposes the global standards bank capital (Basel III framework) into European law. It is based on the proposals of the Basel Committee for Banking Supervision. The chief focus is on the results of internal models, which had allowed for varying degrees of capital requirements in the past. This (heterogeneity) should no longer be possible.

RBI as a universal bank is affected by the framework in various respects, though sees the regulation as a big opportunity for itself and its customers. Aspects like the expansion of national legislative programs toward a European approach, the continuation of beneficial support for SMEs, or the application of the output floor at the highest level of consolidation, are seen as great opportunities to support its customers. The proposals are being continually evaluated and political discussions closely followed to be able to respond accordingly.

Digital Finance Package initiatives and focus on consumer protection

Following publication of the European Commission's Digital Finance Strategy in September 2020, diverse regulatory initiatives from the strategy were further pursued or launched in 2021. The European Commission put forward proposals on the regulation of Artificial Intelligence (AI) and Digital Identity. Further initiatives by the Commission included a review of the Consumer Credit Directive (CCD) in light of digitalization (Data Governance Act) and holding a consultation on the expected Data Act regulation.

The steady rise of European legislation focusing on digital services and new technologies will impact RBI in the coming years. The initiatives generally aim for an increased harmonization of the respective rules across the EU to achieve a Digital Single Market and simplification of cross-border business in the EU. Furthermore, the regulatory proposals would require/enable changes to existing processes, e.g. for digitally onboarding customers with regard to the EU-wide Digital Identity. RBI closely monitors these developments, is engaged in discussions between policy makers and banking associations and has actively participated in relevant consultations.

Austrian implementation of the Capital Requirements Regulation II as well as the Capital Requirements Directive V and Bank Recovery and Resolution Directive II

The revised Capital Requirements Regulation (EU Regulation 2019/876) and Capital Requirements Directive (EU Directive 2019/878), also known as CRR II and CRD V, included amendments in areas such as Pillar 2 capital requirements and remuneration, leverage ratio, liquidity, market risk, counterparty credit risk, as well as reporting and disclosure requirements. The Bank Recovery and Resolution Directive II (EU Directive 2019/879), also known as BRRD II, includes *inter alia* a new framework for minimum requirements for own funds and eligible liabilities (MREL).

The legislative package for the implementation of CRD V and BRRD II transposed certain European requirements into national law (Austrian Banking Act and Bank Recovery and Resolution Act). Thereby introducing, for example, the additivity of macroprudential buffers or extended rules to calculate MREL requirements.

National macroprudential requirements were adjusted to ensure that economically unwarranted changes to capital requirements were not triggered. Therefore, the implementation of the European framework into national legislation did not lead to increased capital requirements.

Minimum requirements for own funds and eligible liabilities (MREL)

The Single Resolution Board (SRB) published the updated MREL Policy on 26 May 2021. The multiple-point-of-entry (MPE) approach, which RBI employs as its resolution strategy, requires that each resolution entity can be resolved independently without causing shortfalls in other resolution groups.

The Single Resolution Mechanism Regulation II (SRMR II) introduced the concept of the Maximum Distributable Amount related to MREL (M-MDA), which will be applicable from 1 January 2022. M-MDA allows the SRB to set restrictions on dividend distributions for banks. M-MDA has many similarities to the former MDA regime of Article 141 CRD, albeit is subject to the discretionary decision of the resolution authority.

The MREL planning is an integral part of the budgeting process for RBI and its subsidiary banks in the EU. MREL levels are closely monitored. RBI and several of its bank subsidiaries in the EU, made issuances in order to fulfill their respective MREL requirements (binding interim targets from 1 January 2022). It is worth highlighting that RBI covered a significant portion of its MREL requirements in 2021 through the issuance of green bonds.

Business performance at Raiffeisen Bank International AG

Business development

RBI AG is one of Austria's leading corporate and investment banks. The Corporates business serves the top 1,000 companies in the country as well as many large international and multinational corporations. These clients benefit from RBI AG's extensive know-how and service portfolio in export financing, trade financing, cash management, treasury and fixed-income.

Institutional Clients groups business with banks and institutional customers. It developed out of Correspondent Banking in its original form and today stands for an integrated approach to doing business with banks, insurance companies and other institutional customers. Its extensive product and service range includes, among others, clearing, settlement and payment services, custody and depositary banking services, credit financing as well as capital market and securities transactions.

The Capital Markets business includes trading on own account and for third parties. RBI AG offers its customers individually tailored solutions for liquidity and balance-sheet management, and for managing interest rate and currency risks as well. Its particular strengths lie in interest rate, currency and credit products for the German-speaking countries (Austria, Germany and Switzerland) and CEE. Cash products, derivatives and structured products are also offered, as well as debt capital raising via bond issuance and the securitization of loans and advances. A professional structuring team as well as strong sales and placement power ensure successful project execution.

The Treasury and Group Subsidiaries and Equity Investments businesses are internal control areas for the management of refinancing and the bank's investment portfolio.

Corporates

The Corporates business serves Austrian and international corporate customers. In addition to Austria's largest companies, the focus is on Western European corporate customers with business activities in CEE, large corporate customers from Central and Eastern Europe and internationally active commodities and trading companies.

The Corporate Banking business managed from Vienna performed extremely well over the course of the past financial year. The extensive support for our corporate customers and increasing credit demand during the year enabled us to assert our position as a relationship bank and increase the volume of business. Although the persistently low interest rate environment continued to impact earnings, the Corporates business generated a very good overall result, not least due to the excellent risk result.

In addition to traditional lending business, RBI's outstanding product expertise resulted in a significant contribution to this outcome being made in the financial year under review by, in particular, structured project and acquisition financing, real estate financing, export and trade finance business, and transaction banking.

A strategic focus was on further exploiting RBI's group-wide earnings potential by the deployment of strategic management tools such as the Global Account Management System, which offers international clients advisory services and support coordinated across the entire Group and enables a comprehensive product portfolio throughout the whole network.

Further progress was made in environmental, social and governance (ESG) activities. The creation of the "Sustainable Finance" department marked a particular milestone, pooling ESG expertise and offering advisory services in the field of sustainability and sustainable financing solutions. Customer demand for these services was very high. The high level of interest in ESG was also reflected in the volume of ESG-compliant financing, which recorded significant year-on-year growth.

Another important focus in the past financial year was on further improving the "customer experience". The digital service offering was expanded and new, innovative solutions were introduced, for example in the field of account opening ("Group eAccount Opening") and in transaction banking. Solutions that had already been developed were rolled out to the CEE subsidiary banks to expand local services accordingly. In addition, the credit process for Corporates was subjected to a detailed analysis, enabling it to be re-styled as an end-to-end process thereby optimizing efficiency and processing time.

Institutional Clients

The 2021 financial year was marked by the highly disparate development of the COVID-19 pandemic and its economic and social consequences in the various global regions of this business area. With increasingly noticeable growth trends for both trade flows and also the economies in our Central and Eastern European core markets, business with institutional clients once again improved significantly in 2021, even compared to the very healthy previous year. This was reflected in consistently high transaction numbers and volumes, as well as in the expansion of business relationships with existing customers and the acquisition of many new customers. RBI thus again demonstrated its central role for business in Central and Eastern Europe.

As in previous years, international sales activities focused on equity and liquidity-preserving banking products. Income from commission-based businesses reached a new record high. In addition to the traditionally strong results from clearing, settlement and payment services – which underscore RBI AG's strong bridging function between West and East in its business with banks, insurers and asset managers – the entire capital market business, including new bond issuance, securities sales flows related to new issuance, foreign currency trading by customers and asset-based finance, also posted significant growth. The strong focus on sustainable expertise in ESG bond issuance was especially successful, with support for numerous sustainable issues for institutional customers making a significant contribution to RBI's excellent positioning in this area of business. The trade and export finance business in support of customers' trade flows again reported a significant increase. The investment fund business and securities services likewise showed healthy growth, adding to the positive picture. In response to increasing digitalization and continuous innovation across all product areas relevant to institutional clients, maximum attention is being paid to ensuring clear alignment of our products and services with actual client needs and to enhancing efficiency in processing.

The traditional lending business with institutional customers remained at a low level with a focus mainly on longstanding customer relationships with high cross-selling potential. These endeavors have been well complemented by the aforementioned product initiatives.

The de-globalization within the financial sector, which set in following the financial crisis, has led to the emergence of regional specialists. This trend supports RBI AG's positioning as a leading institution in Central and Eastern Europe with a bridging function between East and West. This has been reaffirmed by the successes of recent years in the institutional client business and by the continued potential for further growth.

Capital Markets

The support programs that were designed to address the pandemic continued in 2021 led to persistent excess liquidity in the market and demand faced faltering supply chains. Stock markets rose 20 to 30 per cent on average, while credit spreads for financials and company assets were at a low level within historically narrow bandwidths of 10 to 15 basis points.

Whereas FX volatilities in the principal currencies (EURO, USD) remained low, the CEE and CIS countries reported a significant rise, especially in the second half of the year, due to the first inflation-induced interest rate hikes. Customer-induced FX volumes remained at a high level, primarily in the Corporates business, while interbank volumes were below the pre-pandemic level. Overall, both foreign exchange business and banknote trading made a significant contribution to results.

In the money market and securities refinancing business, the attainable margins remained under pressure due to the prevailing excess liquidity. Innovation focused on further digitalization measures within servicing and internalization of customer business. The securities proprietary trading and investment books continued to benefit from the positions mainly added in the previous year.

Despite the continuing pandemic with its various lockdowns, it was at all times possible to provide RBI AG customers with market making services. Bond trading faced major market challenges, but these were offset by an extremely successful year for derivatives business. Market positioning and involvement in CEE and SEE again made a significant contribution to the success of customer trading this year.

Bond issuers used the continuing favorable financing environment, which again led to high volumes in the primary market. Customer demand was lower in the secondary bond market, although the trend towards electronic trading continued. This trend was also very discernible in FX sales, where margin pressure was offset by digitalization and automated trading. Money markets were again characterized by the negative EUR interest rate landscape, and deposits fell due to the excess liquidity caused by the TLTROs. In derivatives, there was a general shift from OTC to exchange-traded products.

In ESG, the launch of new products such as the ESG-linked derivative, virtual conferences and an in-house ESG survey again underpinned RBI AG's strength in this field.

Data analytics saw the launch of two promising products for our trading in the form of the SecFinApp and the real-time tool SiSi. The SecFinApp helps repo trading reconcile market demand with RBI AG's own portfolio. The real-time application SiSi augments customer inquiries within securities trading with information on the respective customer and on the security.

Treasury

For medium to long-term refinancing, RBI AG uses long-term deposits and issuance. Issuance is mainly done under RBI AG's EUR 25,000,000,000 Debt Issuance Program, which enables bonds to be issued in different currencies, formats and structures.

In 2021, RBI AG once again increasingly used international large-volume bonds in various formats alongside long-term deposits in order to implement its funding plan. A successful green € 500 million subordinated issue in June was followed by a € 500 million senior issue in September. RBI AG's remaining refinancing requirements were covered by small unsecured private placements.

The total volume of multi-year deposits and issuance taken up amounted to approximately € 3,500 million and had a weighted maturity of approximately six years. At year-end 2021, the total volume of outstanding issued unsecured bonds excluding AT1 amounted to approximately € 9,126 million.

For optimum coverage of liquidity requirements, in 2021 RBI AG drew an additional volume of € 625 million in long-term secured financing via the European System of Central Banks (ESCB). RBI has thus borrowed a total volume of € 5,425 million across all TLTRO IIIs. TLTRO III, the latest round of targeted longer-term refinancing operations conducted by the European Central Bank (ECB), offered three-year secured financing on preferential terms.

Group Subsidiaries and Equity Investments

In addition to 13 subsidiary banks in CEE, RBI AG's subsidiaries also include numerous additional Austrian and international subsidiaries in the strategic financial services sector. These companies are complemented by a number of other banking-related ancillary services as well as other participations.

RBI AG's participation strategy aims to safeguard and expand the strategic interests of RBI AG and to steadily increase the value of the overall portfolio. Towards this end, RBI AG made two meaningful investments in the financial year: Raiffeisen Continuum Management GmbH, a fund providing succession solutions for SMEs in Austria, and Akcenta CZ a.s., a currency exchange and payments specialist active in RBI AG's core markets.

Governance and administration of all participations is steered by RBI Group Subsidiaries and Equity Investments.

Significant write-ups were recognized at RBI Invest Holding GmbH, Vienna in the amount of € 87.0 million, at RZB-BLS Holding GmbH, Vienna in the amount of € 49.4 million and at RBI IB Beteiligungs GmbH (Genussrecht), Vienne in the amount of € 48.8 million.

As the investment portfolio is mainly made up of financial institutions and entities that are not cyclically dependent, the COVID-19 pandemic had a limited direct impact on the investments. It did, however, have an indirect impact, reflected in the measurement of fair value using valuation models, as these are based on macroeconomic factors and on the respective entities' future income and dividend expectations.

Retail

RBI AG's retail business consists exclusively of a portfolio of foreign currency retail mortgage loans at the Polish branch in Warsaw. As at 31 December 2021, the net carrying amount of the loan exposures (less impairments) totaled approximately € 2.5 billion, consisting of € 1.94 billion (2020: € 2.0 billion) in Swiss franc loans, € 0.5 billion (2020: € 0.5 billion) in euro loans and € 0.03 billion (202: € 0.1 billion) in Polish zloty loans.

The branch does not currently engage in deposit gathering or new customer acquisition, focusing instead on servicing the foreign currency loans transferred to the branch until their final maturity and on providing services to the borrowers.

In 2021, the business environment was notably marked by the legal dispute between customers with Swiss franc-denominated residential mortgage loans and banks. An additional provision was recognized in the amount of € 268.5 million (2020: € 43.7 million) on account of this pending legal issue. The COVID-19 pandemic had little impact on the retail portfolio in Poland.

The recovery in 2021 was strong and was mainly driven by consumer demand, with Poland one of the first countries in Europe whose GDP returned to its pre-pandemic level (this happened as early as the second quarter). The labor market situation improved during the year, with the result that the unemployment rate fell to around 5.5 per cent compared to 6.2 per cent at the end of 2020 and 5.2 per cent in December 2019. In nominal terms, wage growth in the corporate sector remained strong for much of the year (around 9 per cent year-on-year) and was positive even taking into account the current high rate of inflation. The subsequent waves of the pandemic have had hardly any impact on the economic situation.

Two moratoriums were offered to borrowers, of which 121 were approved and used. This equates to around 0.28 per cent of all loan contracts. As at 31 December 2021, five were still active with the others already having expired during the year.

Branches and representative offices

RBI AG operates a total of five branches – in Frankfurt, London, Warsaw, Singapore and Beijing. As service branches, these branches support the RBI head office in Vienna and the RBI network banks in customer care and sales activities. In addition to its branch offices, RBI AG also operates representative offices in Paris, Stockholm, Mumbai, Seoul, and Ho Chi Minh City.

RBI AG has a branch in Poland. The portfolio in Poland mainly comprises retail customers' foreign-currency mortgage loans. The branch focuses on the administration of the foreign currency loans taken over until their final maturity. Additionally, the branch takes over the role of liquidator for selected investment funds.

Through its extensive knowledge of the local markets in Southeast Asia and its contacts with companies, banks and authorities, the Singapore branch supports customers in sales activities, as well as in establishing branches or partnerships with local companies. Vice versa, the branch helps companies from the region to contact companies and banks in Austria and Central and Eastern Europe.

The Beijing branch has been offering its services since the beginning of 2017 and supports RBI's head office and subsidiaries with customer service and business activities relating to China. The Belt and Road Initiative, under which the Beijing branch has concluded many cooperation agreements with Chinese banks and funds as well as large corporates, has demonstrated its extreme robustness and that Chinese government-owned as well as major privately-owned companies had continued to invest in RBI's CEE markets during the reporting year, despite COVID 19 and various lockdowns in both China and CEE. Credit growth in the segment could be increased yet again and numerous eport finance transactions were concluded despite it being a difficult year. Furthermore, RBI has managed to become more involved in the significant transcontinental transactions of these companies and is offering them a broad range of products such as derivatives, including for currency hedging. The regulatory requirements for foreign banks operating in China continue to increase and cyber security, data security and protection of personal information are becoming increasingly important.

The Frankfurt branch office further expanded its consulting and structuring services in various forms of receivables financing, as well as its local sales-support activities for RBI in its business with subsidiaries of German corporate customers, especially in CEE. In 2021, additional receivables financing mandates were won and implemented for customers in RBI AG's numerous focus markets, and business was further developed. In addition to winning new customers, another key task in the corporate customer business involves providing sales support for RBI AG's network. The increasing demand from German SME corporate customers for contact points in Germany reflects customers' centralization of administration functions and decision-making authorities. Establishing contacts with decision makers at customers' head offices strengthens customer relationships in CEE and opens up cross-selling potential.

RBI has been operating in London since 1989 and offers a wide array of services from three main business areas. The capital markets bond desk serves institutional customers with a specific focus on CEE/CIS fixed-income bonds, including sovereign and corporate bonds in EUR/USD and in local currencies, in both the primary and secondary market. The fund finance team, offers products such as e.g. subscription credit facilities as part of the asset-based finance platform. Our corporate desk provides corporate customers based in the United Kingdom and Ireland with information and access to a number of financial products and services being offered by RBI's head office and subsidiary banks. On account of Brexit, the branch is currently operating and regulated under the temporary permission regime. This allows companies which are based in the EEA to operate in the United Kingdom for a limited period of time while applying for permanent permission.

The operational business of all the branches except for the Poland branch is booked at head office in Vienna.

Financial Performance Indicators

Statement of Financial Position

Raiffeisen Bank International AG's (RBI AG) total assets were up € 3,526,395 thousand, or 4.4 per cent, to € 83,009,009 thousand in the 2021 financial year. On the asset side, the growth in total assets resulted in particular from the increase in balances at central banks and the increase in loans and advances to customers. On the liability side, bank and customer deposits were up substantially. The volume of securitized liabilities decreased slightly in the financial year.

The growth of € 793,008 thousand in cash reserves and balances at central banks to € 16,563,587 thousand resulted mainly from an increased investment of surplus liquidity in the form of deposits at the Austrian National Bank.

Treasury bills and other bills eligible for refinancing with the central bank increased € 245,535 thousand to € 5,457,278 thousand.

Loans and advances to credit institutions decreased 7.3 per cent, or € 855,962 thousand, to € 10,933,167 thousand, mainly due to a € 528,652 thousand reduction in giro and clearing business and a € 363,018 thousand reduction in sale and repurchase transactions.

Loans and advances to customers increased 9.7 per cent, or € 2,813,630 thousand, to € 31,778,841 thousand. This mainly related to an increase of € 1,717,054 thousand in purchases for import/export letters of credit and for lending. In addition, lending was up € 874,137 thousand as a result of increased business activity. Sale and purchase transactions with customers increased € 226,259 thousand. Value adjustments to loans and advances to customers were up € 65,899 thousand year-on-year.

Bonds, notes and other fixed-interest securities increased € 150,869 thousand, or 4.3 per cent, year-on-year to € 3,642,532 thousand. The volume of shares and other variable-yield securities increased slightly year-on-year; the carrying amount at year-end was € 507,019 thousand (2020: € 485,665 thousand).

Shares in affiliated companies increased € 195,867 thousand to € 10,707,510 thousand, which mostly reflected the need to write up the value of affiliated companies.

Other assets increased € 171,758 thousand year-on-year, with a carrying amount of € 3,366,583 thousand. This relates to a decrease of € 52,071 thousand in positive market values from derivative financial instruments in the trading book and an increase of € 231,984 thousand in dividends receivable from affiliated companies.

On the liability side, liabilities to credit institutions rose € 2,264,766 thousand, or 6.8 per cent, to € 35,764,018 thousand. Sale and repurchase transactions increased € 1,128,274 thousand. In addition, short-term interbank money market transactions were up € 1,287,508 thousand. The ECB's TLTRO III program (targeted longer-term refinancing operations), a long-term refinancing program of the European Central bank which aims to motivate banks to increase lending by means of free funds plus interest rate premiums, showed an increase of approximately € 300 million. Liabilities to credit institutions represented a significant source of funding for RBI AG at 43 per cent of total assets.

Liabilities to customers were up € 1,138,882 thousand, or 5.3 per cent, to € 22,461,732 thousand, largely due to a considerable increase in short-term giro and clearing business.

Securitized liabilities and additional capital according to CRR fell 4.3 per cent, or € 193,960 thousand, year-on-year to € 10,646,784 thousand. Funds raised through new issues totaled € 1,691,818 thousand in 2021 (2020: € 3,121,868 thousand). In contrast, retirements of securitized liabilities from scheduled and early repayments amounted to € 1,497,859 thousand in 2021 (2020: € 1,949,729 thousand).

Other liabilities decreased € 175,197 thousand year-on-year to € 2,512,340 thousand, which mainly reflected the decrease in the negative market values arising from derivative financial instruments in the trading book and from liabilities from short positions in trading and a decrease in the valuation of capital guarantees for pension provisions and investment funds.

The provisions included provisions of € 67,038 thousand for severance payments (31/12/2020: € 75,611 thousand), provisions of € 67,747 thousand for pensions (31/12/2020: € 75,447 thousand), tax provisions of € 7,509 thousand (31/12/2020: € 6,409 thousand), and other provisions of € 599,704 thousand (31/12/2020: € 299,554 thousand). The decrease in provisions for severance payments and pensions mainly included utilization and a partial release for voluntary severance payments. The increase in other provisions was mainly due to additional provisions of € 274,812 thousand for litigation risks related to legal disputes concerning foreign currency loans in Poland.

Total risk exposure at year-end 2021 was € 47,358,183 thousand (2020: € 42,509,464 thousand). Of that amount, credit risk accounted for € 41,042,783 thousand (2020: € 35,867,672 thousand), market risk for € 3,150,561 thousand (2020: € 3,403,538 thousand), and operational risk for € 2,904,129 thousand (2020: € 2,888,308 thousand). Total risk exposure was up around € 4,848,719 thousand year-on-year, mainly due to new lending, which increased risk exposure for the credit risk.

Common equity tier I (CET1) capital was up to € 8,283,939 thousand at year-end 2021 (2020: € 8,029,025 thousand). Tier 1 capital amounted to € 9,779,951 thousand (2020: € 9,555,165 thousand). RBI issued no additional tier 1 capital in 2021. Tier 2 amounted to € 2,097,084 thousand (2020: € 1,923,672 thousand). All in all, total capital amounted to € 11,822,036 thousand, a year-on-year rise of € 334,199 thousand.

The CET1 ratio of 17.3 per cent was 1.4 per cent lower than in the previous year (18.7 per cent). The tier 1 ratio of 20.7 per cent was down 1.8 per cent year-on-year. The total capital ratio was 25.0 per cent (2020: 27.0 per cent). All capital ratios were sufficiently above the respective requirements (including all buffer and Pillar 2 requirements).

The committed capital reserves of € 4,334,286 thousand (31/12/2020: € 4,334,286 thousand) and uncommitted capital reserves of € 97,066 thousand (31/12/2020: € 97,066 thousand) were unchanged in the financial year.

The number of own shares related to the share incentive program (SIP) for key personnel in the company (Management Board and senior executives) and members of the management boards of associated bank subsidiaries and acquired in the years 2005 to 2009 amounted to 322,204 shares at year-end 2019. With a nominal value of € 983 thousand, this represented 0.1 per cent of share capital. The share incentive programs expired in 2018, ending commitments to allot further own shares under the programs. Retained earnings covered legal reserves of € 5,500 thousand (31/12/2020: € 5,500 thousand) and other free reserves of € 2,679,665 thousand (31/12/2020: € 2,403,752 thousand). Of the other free reserves, an amount of € 352,661 thousand (31/12/2020: € 323,748 thousand) was earmarked for the Raiffeisen IPS. As a result of the agreement on the establishment of the institutional protection scheme and a corresponding decision of the Raiffeisen IPS Risk Council, a contribution of € 28,783 thousand (31/12/2020: € 48,057 thousand) was allocated to other reserves in 2021 as a reserve for the Raiffeisen IPS. The reserve for the Federal IPS is not eligible for inclusion in the calculation of own funds under the CRR. In addition, an amount of € 247,000 thousand (31/12/2020: € 46,000 thousand) was transferred to other free reserves. The liability reserve of € 535,097 thousand was unchanged at year-end 2021 (31/12/2020: € 535,097 thousand).

Earnings performance

In the 2021 financial year, Raiffeisen Bank International AG (RBI AG) reported an increase in net interest income of 12.9 per cent, or € 46,758 thousand, to € 410,387 thousand. The increase in net interest income was due in part to the tiering system of the European Central Bank (ECB) introduced in September 2019. Under the system, part of the surplus liquidity was excluded from the negative interest rate. As a result, the negative interest rate expense from the investment of surplus liquidity with the ECB decreased. In addition, the ECB's TLTRO II program was fully utilized. If the criteria set by the ECB are met, banks – depending on the growth of a defined loan portfolio – receive a premium of 50 basis points on the refinancing used. The criteria are met with a high degree of certainty by RBI AG and the premium was therefore accrued as interest income. Net interest income from customer and interbank business performed well year-on-year, although the persistently low interest rate environment continued to impact earnings.

Income from securities and participating interests increased € 61,589 thousand to € 841,438 thousand mainly due to the € 58,852 thousand increase in income from shares in affiliated companies resulting from higher dividend income from affiliated companies in 2021. Income from participating interests was mainly from AO Raiffeisenbank, Moscow, (€ 441,378 thousand), RS Beteiligungs GmbH, Vienna, (€ 300,000 thousand), and JSC Raiffeisen Bank Aval, Kiev (€ 41,323 thousand).

The net amount of commissions payable and commissions receivable was up € 89,347 thousand to € 312,733 thousand. Of this rise, € 25,274 thousand is attributable to the increase in the foreign currency, notes/coins and precious metals business (€ 27,857 thousand) because of a change in presentation in the notes/coins business under which charged transport costs are presented from 2021 onwards in net fee and commission income and no longer in net FX income. In addition, lending business showed an increase of € 23,585 thousand to € 71,670 thousand, partly because commitment fees for undrawn revolving credit facility amounts are now recognized on a linear basis over the relevant term. There was likewise an increase in guarantee business of € 9,722 thousand to € 42,514 thousand, due partly to increased business volume and partly to an increase in existing fees, in settlement and payment services of € 11,904 thousand to € 86,597 thousand and in securities and custody business of € 15,489 thousand to € 78,653 thousand.

The net profit on financial operations decreased € 334,784 thousand, to a loss of € 186,493 thousand (2020: gain of € 148,292 thousand). This mainly reflected the decrease of € 304,324 thousand in net trading income from currency-based derivative and foreign exchange transactions, which fell to minus € 120,163 thousand (2020: € 184,161 thousand), and the decrease of € 30,886 thousand in net trading income from interest-based securities transactions to minus € 65,870 thousand (2020: € 34,984 thousand).

Other operating income increased € 47,386 thousand to € 275,287 thousand. This item included income from services provided to affiliated companies of € 103,870 thousand (2020: € 90,620 thousand), income of € 16,832 thousand (2020: € 98,918 thousand) from close-out fees for banking book derivatives, income from the release of other provisions of € 917 thousand (2020: € 897 thousand), and income from the release of provisions for losses on banking book derivatives amounting to € 28,751 thousand (2020: € 12,573 thousand).

Operating income therefore totaled € 1,653,353 thousand, a 5.1 per cent decrease year-on-year.

Total operating expenses were down 15.0 per cent year-on-year to € 1,165,093 thousand.

Staff expenses showed a slight increase of € 4,980 thousand year-on-year, to € 395,716 thousand. Expenses for wages and salaries were slightly higher year-on-year and reflected the increase in the average number of employees. Other administrative expenses increased € 36,554 thousand, or 10.1 per cent, to € 398,260 thousand. Other administrative expenses consisted mainly of IT expenses of € 163,504 thousand (2020: € 145,770 thousand), rent of € 31,498 thousand (2020: € 33,633 thousand), and consulting and audit fees of € 72,709 thousand (2020: € 51,261 thousand). They also included the annual contribution to the bank resolution fund of € 38,602 thousand (2020: € 35,372 thousand). Depreciation of tangible assets and intangible fixed assets was up € 1,681 thousand to € 14,040 thousand (2020: € 12,360 thousand).

Other operating expenses of RBI AG increased € 109,119 thousand to € 357,076 thousand in 2021. This includes provisions for impending losses on banking book derivatives, the expense for which decreased € 11,329 thousand to € 14,811 thousand (2020: € 26,140 thousand), allocations of other provisions of € 300,150 thousand (2020: € 62,592 thousand), which include additional allocations of € 274,812 thousand to provisions for litigation related to foreign currency loans in Poland, expenses of € 8,782 thousand (2020: € 10,716 thousand) relating to foreign branches and expenses of € 26,553 thousand (2020: € 144,705 thousand) from close-out fees for banking book derivatives.

After deducting all operating expenses from operating income, RBI AG generated an operating result of € 488,261 thousand for the 2021 financial year. This represents a year-on-year decrease of 33.1 per cent, or € 241,938 thousand.

As a consequence, the cost/income ratio (operating expenses divided by operating income) was 70.5 per cent (2020: 58.1 per cent).

Net income/expenses from the disposal and valuation of loans and advances and securities classed as current assets resulted in a net expense – as in the previous year – of € 91,290 thousand (2020: net expense of € 94,301 thousand). This development was due, firstly, to an decrease in valuation results and proceeds from disposals of securities held as current assets and banking book derivatives of € 17,303 thousand (2020: € 53,507 thousand) and, secondly, to an increase in the valuation of loans and guarantees to minus € 73,987 thousand (2020: minus € 147,809 thousand). The provisioning requirement decreased due to the general economic recovery in 2021. With regard to individual loan loss provisions, RBI AG reported a net allocation to provisions of € 37,989 thousand, a decline of € 16,910 thousand compared to the previous year. The overall economic situation improved in the course of the reporting year relative to 2020. The positive long-term macroeconomic outlook resulted in lower allocations of portfolio-based loan loss provisions and a release of existing loan loss provisions of € 8,535 thousand. The ongoing COVID-19 pandemic, travel restrictions and the slow progress of the vaccination campaign necessitated post-model adjustments of minus € 46,930 thousand (2020: minus € 70,322 thousand) for the hotel, business property and retail property segments. This corresponds to a decrease of € 23,392 thousand on 2020, however. As no recovery is expected for these segments in the near future, the post-model adjustments from 2020 and 2021 have been replaced with more specific risk factors. Additional portfolio-based loan loss provisions of € 7,724 thousand were allocated for potentially sanctioned customers in connection with the Russia-Ukraine conflict. Material and non-material contractual amendments generated book losses of € 4,485 thousand (2020: € 2,077 thousand). Income from exceptional disposals of loan receivables totaled € 6,271 thousand in the financial year (2020: € 950 thousand).

Net income/expenses from the disposal and valuation of securities valued as financial investments and of shares in affiliated companies and equity participations included write-ups totaling € 195,236 thousand in the financial year, including € 87,015 thousand at RBI-Invest Holding GmbH, Vienna, and € 49,351 thousand at RZB-BLS Holding GmbH, Vienna. Shares in affiliated companies and equity participations were written down by a total of € 12,938 thousand in the financial year, including € 4,304 thousand at Fairo LLC, Kiev, and € 4,790 thousand at RBI PE Handels- und Beteiligungs GmbH, Vienna. In total, € 186,003 in gains (2020: € 304,643 thousand in losses) were reported on the valuation of shares in affiliated companies and equity participations.

As a result, the profit on ordinary activities for the year under review amounted to € 592,143 thousand (2020: € 331,086 thousand).

The return on equity before tax (profit before tax divided by average equity in 2021) was 5.8 per cent in the financial year (2020: 3.3 per cent).

The income tax item showed income of € 10,400 thousand in 2021 (2020: expense of € 20,486 thousand), which was mainly attributable to tax receivable from past years due to a decision of the Federal Finance Court in connection with capital hedges and IPO costs. Expenses for other taxes amounted to € 23,066 thousand (2020: € 57,453 thousand), mainly reflecting € 24,396 thousand for the stability contribution for banks (2020: € 62,838 thousand).

The return on equity after tax (net income after tax divided by average equity in 2021) was 5.7 per cent (2020: 2.5 per cent).

Profit after tax in 2021 was € 579,477 thousand (2020: € 253,166 thousand).

After movements in reserves of € 275,913 thousand and profit of € 76,436 thousand brought forward from the previous year, net profit in 2021 was € 380,000 thousand.

Capital, share, voting, and control rights

The following disclosures satisfy the provisions of § 243a (1) of the Austrian Commercial Code (UGB):

(1) As at 31 December 2021, the company's share capital amounted to € 1,003,265,844.05 and was divided into 328,939,621 voting common bearer shares. As at 31 December 2021, 322,204 (31 December 2020: 322,204) of those were own shares, and consequently 328,617,417 shares were outstanding at the reporting date.

(2) The Articles of Association contain no restrictions concerning voting rights or the transfer of shares. The regional Raiffeisen banks and direct and indirect subsidiaries of the regional Raiffeisen banks are parties to a syndicate contract (syndicate agreement) regarding RBI AG. The terms of this syndicate agreement include not only a block voting agreement and preemption rights, but also a prohibition on sales of the RBI shares held by the regional Raiffeisen banks (with few exceptions) since the expiration of a period of three years (lock-up period) from the effective date of the merger between RZB AG and RBI AG, i.e. from 18 March 2020, if the sale would reduce the regional Raiffeisen banks' aggregate shareholding in RBI AG (direct and/or indirect) to less than 40 per cent (previously 50 per cent) of the share capital plus one share.

(3) RLB NÖ-Wien Sektorbeteiligungs GmbH holds around 22.24 per cent of the share capital of the company. By virtue of the syndicate agreement regarding RBI AG, the directly or indirectly held voting rights attached to a total of 193,449,778 shares, corresponding to a voting interest of around 58.81 per cent, are mutually attributable to the regional Raiffeisen banks and their direct and indirect subsidiaries pursuant to §§ 130 and 133 7 of the Austrian Stock Exchange Act (BörseG) as parties acting in concert as defined in § 1 6 of the Austrian Takeover Act (ÜbG). The remaining shares of RBI AG are held in free float, with no other direct or indirect shareholdings amounting to 10 per cent or more known to the Management Board.

(4) The Articles of Association do not contain any special rights of control associated with holding shares. According to the syndicate agreement for RBI AG, the regional Raiffeisen banks can nominate nine members of the RBI AG Supervisory Board. In addition to the members nominated by the regional Raiffeisen banks, the RBI AG Supervisory Board should also include three independent representatives of free-float shareholders who are not attributable to the Austrian Raiffeisen Banking Group.

(5) There is no control of voting rights arising from interests held by employees in the share capital.

(6) Pursuant to the Articles of Association, a person who is aged 68 years or older may not be appointed as a member of the Management Board or be reappointed for another term in office. The rule for the Supervisory Board is that a person who is aged 75 years or older may not be elected as a member of the Supervisory Board or be re-elected for another term in office. Moreover, no person who already holds eight supervisory board mandates in publicly traded companies may be a member of the Supervisory Board. Holding a position as chairman of the supervisory board of a publicly traded company would count twice for this purpose. The Annual General Meeting may choose to waive this restriction through a simple majority of votes if permitted by law. Any candidate who has more mandates for, or chairman positions on, supervisory boards in publicly traded companies must disclose this to the Annual General Meeting. There are no further regulations regarding the appointment or dismissal of members of the Management Board and the Supervisory Board beyond the provisions of the relevant laws. The Articles of Association stipulate that the resolutions of the Annual General Meeting are, provided that there are no mandatory statutory provisions to the contrary, adopted by a simple majority of the votes cast. Where the law requires a capital majority in addition to the voting majority, resolutions are adopted by a simple majority of the share capital represented in the votes. As a result of this provision, members of the Supervisory Board may be dismissed prematurely by a simple majority. The Supervisory Board is authorized to adopt amendments to the Articles of Association that only affect the respective wording. This right may be delegated to committees. Furthermore, there are no regulations regarding amendments to the company Articles of Association beyond the provisions of the relevant laws.

(7) Pursuant to § 169 of the Austrian Stock Corporation Act (AktG), the Management Board has been authorized since the Annual General Meeting of 13 June 2019 to increase the share capital with the approval of the Supervisory Board – in one or more tranches – by up to € 501,632,920.50 through the issuance of up to 164,469,810 new voting common bearer shares in exchange for contributions in cash and/or in kind (including by way of the right of indirect subscription by a bank pursuant to § 153 (6) of the AktG) by 2 August 2024 at the latest and to fix the offering price and terms of the issue with the approval of the Supervisory Board. The Management Board is further authorized to exclude shareholders' subscription rights with the approval of the Supervisory Board (i) if the capital increase is carried out in exchange for contributions in kind, or (ii) if the capital increase is carried out in exchange for contributions in cash and the shares issued under the exclusion of subscription rights do not exceed 10 per cent of the company's share capital (exclusion of subscription rights). The (i) utilization of authorized capital with exclusion of the statutory subscription right in the event of a capital increase in return for a contribution in cash, and the (ii) implementation of the conditional capital resolved upon in the Annual General Meeting on 20 October 2020 in order to grant conversion or subscription rights to convertible bond creditors may not exceed 10 per cent in total of the share capital of the company. The utilization of the authorized capital in the form of a capital increase in return for a contribution in kind is not covered by this restriction.

No use has been made to date of the authority granted in June 2019 to utilize the authorized capital.

The share capital is conditionally increased (conditional capital) pursuant to § 159 (2) 1 of the AktG by up to € 100,326,584 by issuing of up to 32,893,962 ordinary bearer shares. The conditional capital increase will only be implemented to the extent that use is made of an irrevocable right of conversion into or subscription to shares which the company grants to the creditors holding convertible bonds issued on the basis of the resolution passed at the Annual General Meeting on 20 October 2020, or in the event of having to fulfil a conversion obligation set out in the convertible bonds' terms of issuance. In both cases, the Management Board does not decide to allocate own shares. The issue price and the conversion ratio are to be calculated in accordance with recognized quantitative financial methodologies and the price of the company's shares in a recognized pricing procedure (calculation basis of the issuance price); the issue price may not be below the proportionate amount of the share capital. The newly issued shares from the conditional capital increase are entitled to a dividend equivalent to that of the shares traded on the stock exchange at the time of issuance. The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase.

The Management Board was further authorized pursuant to § 174 (2) of the AktG by the Annual General Meeting on 20 October 2020, within 5 years from the date of the resolution, i.e. until 19 October 2025, with the consent of the Supervisory Board, to issue also in several tranches, convertible bonds with rights to convert into or subscribe to shares of the company or convertible bonds with conversion obligations (contingent convertible bonds pursuant to § 26 of the Banking Act), including convertible bonds that meet the requirements for Additional Tier 1 capital instruments pursuant to Regulation (EU) No. 575/2013 of the European Parliament and the Council of 26 June 2013 on supervisory requirements for credit institutions and investment firms, as amended, with full exclusion of shareholders' subscription rights. The authorization includes the issuance of convertible bonds in a total nominal amount of up to € 1,000,000,000 with rights to convert into or subscribe to up to 32,893,962 ordinary bearer shares of the company with a proportionate amount of the share capital up to € 100,326,584. The issue price and the conversion ratio are to be calculated in accordance with recognized quantitative financial methodologies and the price of the company shares in a recognized pricing procedure (calculation basis of the issuance price); the issue price of the convertible bonds may not be below the proportionate amount of the share capital. In this respect, the Management Board is authorized to determine all further issuance and structural features as well as the issuance terms and conditions of the convertible bonds, in particular the interest rate, issue price, term of validity and denomination, provisions protecting against dilution, conversion period, conversion rights and obligations, conversion ratio and conversion price. The convertible bonds may also be issued – observing the limit of the corresponding equivalent value in euros – in the currency of the United States of America and in the currency of any other Organization for Economic Cooperation and Development (OECD) member state. The convertible bonds may also be issued by a company which Raiffeisen Bank International AG owns 100 per cent of, directly or indirectly. For this event, the Management Board is authorized to provide, with the consent of the Supervisory Board, a guarantee for the convertible bonds on behalf of the company and to grant the holders of the convertible bonds conversion rights into ordinary bearer shares of Raiffeisen Bank International AG and, if a conversion obligation is stipulated in the convertible bonds' issuance terms, to enable the obligation of conversion into ordinary bearer shares of Raiffeisen Bank International AG to be fulfilled; with the exclusion of the rights of shareholders to subscribe to the convertible bonds.

There have been no convertible bonds issued to date.

The Annual General Meeting held on 20 October 2020 authorized the Management Board pursuant to § 65 (1) 8, § 65 (1a) and § 65 (1b) of the AktG to purchase own shares and to retire them if appropriate without requiring any further prior resolutions to be passed by the Annual General Meeting, though with the approval of the purchase by the Supervisory Board can also be effected off-exchange under the exclusion of the shareholders' pro rata tender right. Own shares, whether already purchased or to be purchased, may not collectively exceed 10 per cent of the company's share capital. The authorization to purchase own shares expires 30 months after the date of the Annual General Meeting resolution, i.e. until 19 April 2023. The acquisition price for repurchasing the shares may be no lower than € 3.05 per share and no higher than 10 per cent above the average unweighted closing price over the 10 trading days prior to exercising this authorization. The authorization may be exercised in full or in part or also in several partial amounts, for one or more purposes – with the exception of securities trading – by the company, by a subsidiary (§ 189a 7 of the UGB) or by third parties for the account of the company or a subsidiary.

The Management Board was further authorized, pursuant to § 65 (1b) of the AktG, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights, and to stipulate the terms of sale. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses, operations or stakes in one or several companies in Austria or abroad. Furthermore, shareholders' subscription rights may be excluded in the event that convertible bonds are issued in future, in order that (own) shares may be issued to such convertible bond creditors that have exercised their right of conversion into or subscription to shares in the company, and also in the event of a conversion obligation stipulated in the convertible bonds' issuance conditions in order to fulfil this conversion obligation. This authorization may be exercised in whole, in part or in several partial amounts for one or more purposes by the company, a subsidiary (§ 189a 7 UGB) or by third parties for the account of the company or a subsidiary and remains in force for five years from the date of this resolution, i.e. until 19 October 2025. This authorization replaces the authorization granted by the Annual General Meeting of 21 June 2018 pursuant to § 65 (1) 8 of the AktG to acquire and utilize own shares and refers also to the utilization of own shares already acquired by the company. Since that time, there were no own shares purchased on the basis of the lapsed authorization from June 2018 nor on the basis of the current authorization from October 2020.

The Annual General Meeting of 20 October 2020 also authorized the Management Board, under the provisions of § 65 (1) 7 of the AktG, to purchase own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 19 April 2023), provided that the trading portfolio of shares purchased for this purpose does not at the end of any given day exceed 5 per cent of the company's respective share capital. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition. This authorization may be exercised in full or in part or also in several partial amounts by the company, by a subsidiary (§ 189a 7 UGB) or by third parties acting for the account of the company or a subsidiary.

(8) The following material agreements exist, to which the company is a party, and which take effect, change, or come to an end upon a change of control in the company as a result of a takeover bid:

- RBI AG is insured under a Group-wide D&O policy. In the event of a merger with another legal entity, the insurance policy would automatically cease at the end of the insurance period in which the merger took effect. In such cases, insurance cover only exists for claims for damages arising from breaches of obligations that occurred before the merger, which are reported to the insurer prior to the termination of RBI's Group-wide D&O insurance cover.
- RBI AG is a member of the Professional Association of Raiffeisen Banks. Upon a change in control of RBI AG which results in the attainment of control by shareholders outside of the Raiffeisen Banking Group Austria, membership of the Professional Association of Raiffeisen Banks, as well as that of the Raiffeisen-IPS pursuant to Art. 113 (7) of the CRR, the Österreichische Raiffeisen-Sicherungseinrichtung eGen and of the Raiffeisen Customer Guarantee Scheme Austria may be terminated. RBI AG also serves as the central institution of the Raiffeisen Banking Group at a national level. Upon a change in control of RBI AG, related contracts (central institution of the liquidity group pursuant to § 27a of the BWG may end or change.

- The company's refinancing agreements and agreements concerning third-party financing for subsidiaries, which are guaranteed by the company, stipulate in some cases that the lenders can demand early repayment of the financing in the event of a change in control.

9) There are no indemnification agreements between the company and its Management Board and Supervisory Board members or employees that would take effect in the event of a public takeover bid.

Non-financial Performance Indicators

Pursuant to the Sustainability and Diversity Improvement Act (NaDiVeG), the consolidated non-financial statement, which has to be prepared in accordance with § 267a of the Austrian Commercial Code (UGB), is issued as an independent non-financial report (Sustainability Report). The report containing detailed information on sustainability management developments, will be published online – at www.rbinternational.com → Who we are → Sustainability – and also contains the disclosure for the parent company in accordance with § 243b of the UGB.

Corporate Governance

The Corporate Governance Report is available on RBI's website (www.rbinternational.com → Investor Relations → Corporate Governance and Remuneration Policy).

Risk report

Active risk management is a core competency of RBI AG. In order to effectively identify, measure, and manage risks the bank continues to develop its comprehensive risk management system. Risk management is an integral part of overall bank management. In particular, in addition to legal and regulatory requirements, it takes into account the nature, scale, and complexity of the business activities and the resulting risks. The risk report describes the principles and organization of risk management and describes current risk exposure in all material risk categories.

Risk management principles

RBI AG has a system of risk principles and procedures in place for measuring and monitoring risk, which is aimed at controlling and managing the bank's risks. The risk policies and risk management principles are laid out by the Management Board of RBI AG. These are regularly reported and discussed in the Supervisory Board committees. The bank's risk principles include the following:

- Integrated risk management
  Credit, country, market, liquidity, participation and operational risks are managed as key risks on a bank-wide basis. For this purpose, these risks are measured, limited, aggregated, and compared to available risk coverage capital.
- Standardized methodologies
  Risk measurement and risk limitation methods are standardized in order to ensure a consistent and coherent approach to risk management. This forms the basis for consistent overall bank management across all countries and business lines in RBI AG.
- Continuous planning
  Risk strategies and risk capital are reviewed and approved in the course of the annual budgeting and planning process, whereby special attention is also paid to preventing risk concentrations.
- Independent control
  A clear personnel and organizational separation is maintained between business operations and all risk management or risk controlling activities.
- Ex ante and ex post control
  Risks are consistently measured within the scope of product selling and in risk-adjusted performance measurement. Thereby it is ensured that business in general is conducted only under risk-return considerations and that there are no incentives for taking high risks.

Organization of risk management

The Management Board of RBI AG ensures the proper organization and ongoing development of risk management. It decides which procedures are to be employed for identifying, measuring, and monitoring risks, and makes steering decisions according to the risk reports and analyses. The Management Board is supported in undertaking these tasks by independent risk management units and special committees.

RBI AG's risk management functions are performed on different levels. RBI AG develops and implements the relevant concepts as the parent credit institution and in cooperation with the subsidiaries of the Group. The central risk management units are responsible for the adequate and appropriate implementation of the risk management processes throughout the company. In addition, they implement the risk policy in the respective risk categories and manage RBI AG's activities within the approved risk budget. ESG risks are implemented and managed within the framework of a project that spans business lines and includes all risk areas.

The central and independent risk controlling function under the Austrian Banking Act is performed by the Group Risk Controlling organizational area. Its responsibilities include developing the company-wide framework for overall bank risk management (integrating all risk types) and preparing independent reports on the risk profile for the Supervisory Board's Risk Committee, the Management Board and the heads of individual business units.

Risk committees

The Group Risk Committee is the most senior decision-making body for all of the Group's risk-related topic areas. It decides on the risk management methods and on the control concepts used for the overall Group and for key subdivisions, and is responsible for ongoing development and implementation of methods and parameters for risk quantification and for refining steering instruments. This also includes setting the risk appetite and the various risk budgets and limits at overall bank level as well as monitoring the current risk situation with respect to internal capital adequacy and the corresponding risk limits. It approves risk management and controlling activities (such as the allocation of risk capital) and advises the Management Board on these matters. The scope of responsibility was extended during 2021 to include resolution-related topics and decisions reflecting the respective SRB guidelines & requirements.

The Group Asset/Liability Committee assesses and manages the statement of financial position structure and liquidity risks and defines the standards for internal funds transfer pricing. In this context it plays an important role in planning long-term funding and the hedging of structural interest rate and foreign exchange risks. The Structural FX Committee is a sub-committee of the Group Asset/Liability Committee and manages the currency risk of the capital position.

The Market Risk Committee controls market risks arising from trading and banking book transactions and establishes corresponding limits and processes. In particular, it relies on profit and loss reports, the risks calculated and the limit utilization, as well as the results of scenario analyses and stress tests with respect to market risks.

The Credit Committees are staffed by front office and back office representatives, with the staff assignments depending on the type of customer (corporate customers, banks and sovereigns). The committees decide upon the specific lending criteria for the different customer segments and countries and make all credit decisions concerning those segments and countries in connection with the credit approval process (depending on rating and exposure size).

The Problem Loan Committee is the most important committee in the evaluation and decision-making process concerning problem loans. It primarily comprises decision-making authorities; its chairman is the Chief Risk Officer (CRO) of RBI AG. Further members with voting rights are those members of the Management Board responsible for the customer divisions, the Chief Financial Officer (CFO), and the relevant division and departmental managers from risk management and special exposures management.

The Securitization Committee is the decision-making committee for limit requests in relation to securitization positions within the specific decision-making authority framework. It develops proposals for modifications to the securitization strategy for the Management Board. In addition, the Securitization Committee offers a platform for exchanging information regarding securitization positions and market developments.

The Group Operational Risk Management & Controls Committee comprises representatives of the business areas (retail, market and corporate customers) and representatives from Compliance (including financial crime), Internal Control System, Operations, Security, IT Risk Management and Risk Controlling, under chairmanship of the CRO. This committee is responsible for managing operational risk (including conduct risk). It derives and sets the operational risk strategy based on the risk profile and the business strategy and also makes decisions regarding actions, controls and risk acceptance.

The Contingency/Recovery Committee is a decision-making body convened by the Management Board. The composition of the committee varies as circumstances require depending on the intensity and focus of the specific requirements pertaining to the situation (e.g. capital and/or liquidity). The core task of the committee is to maintain or recover financial stability in accordance with the Federal Act on the Recovery and Resolution of Banks (BaSAG) and the Banking Recovery and Resolution Directive (BRRD) in the event of a critical financial situation.

Quality assurance and internal audit

Quality assurance with respect to risk management refers to ensuring the integrity, soundness, and accuracy of processes, models, calculations, and data sources. This is to ensure that RBI AG adheres to all legal requirements and that it can achieve the highest standards in risk management operations.

Two very important functions in assuring independent oversight are performed by the divisions Audit and Compliance. Independent internal auditing is a legal requirement and a central pillar of the internal control system. Internal Audit periodically assesses all business processes and contributes considerably to securing and improving them. It sends its reports directly to the Management Board of RBI AG, which discusses them on a regular basis in its board meetings.

The Compliance Office is responsible for all issues concerning compliance with legal requirements in addition to and as an integral part of the internal control system. Thus compliance with existing regulations in daily operations is monitored.

Moreover, an independent and objective audit, free of potential conflicts of interest, is carried out during the audit of the annual financial statements by the independent auditors.

Overall bank risk management

Maintaining an adequate level of capital is a core objective of the Company's risk management. Capital requirements are monitored regularly based on the risk level measured by internal models, and in choosing appropriate models the materiality of risks annually assessed is taken into account. This concept of overall bank risk management provides for meeting capital requirements from both a regulatory perspective (normative perspective) and from an economic point of view (economic perspective). Thus it covers the quantitative aspects of the internal capital adequacy assessment process (ICAAP) as legally required and as described in the ICAAP Directive published by the European Central Bank. RBI AG's overall ICAAP process is audited during the supervisory review process for the RBI credit institution group (RBI Kreditinstitutsgruppe) on an annual basis.

The Risk Appetite Framework (RAF) limits the Group's overall risk in line with the strategic business objectives and allocates the risk capital calculated to the different risk categories and business areas. The primary aim of the RAF is to limit risk, particularly in adverse scenarios and for major singular risks, in such a way as to ensure compliance with regulatory minimum ratios. The Risk Appetite Framework is therefore closely linked with the ICAAP and the ILAAP (Internal Liquidity Adequacy Assessment Process) and sets concentration limits for the risk types identified as significant in the risk assessment. There is also a connection to the recovery plan as the risk capacity and risk tolerance limits in the RAF are aligned with the corresponding trigger monitoring limits. In addition, the risk appetite decided by the Management Board and the Group's risk strategy and its implementation are reported regularly to the Supervisory Board's Risk Committee.

Approach	Description of risk	Measurement technique	Confidence level
Economic perspective			
Economic capital	Risk that unexpected losses exceed the internal capital from an economic perspective	The unexpected loss for the risk horizon of one year (economic capital) may not exceed the present level of the common equity tier 1 capital)	99.90 per cent
Normative perspective			
Stress scenarios	Risk of falling below a sustainable tier 1 capital ratio over a full business cycle	Capital and earnings projection for a three-year planning period based on a severe macroeconomic downturn scenario	Around 95 per cent based on potential management decisions to reduce risk temprarily or raise additional equity capital

Economic perspective – economic capital approach

In this approach, risks are measured on the basis of economic capital, which represents a comparable risk indicator across all risk types. Economic capital is calculated as the sum of unexpected losses stemming from different risk categories. In addition, a general buffer is held to cover risk types not explicitly quantified.

The following table shows the risk distribution of individual risk types to economic capital:

in € thousand	31/12/2021	Percentage	31/12/2020	Percentage
Participation risk	4,158,262	69.6%	4,011,431	69.4%
Credit risk corporate customers	738,443	12.4%	736,931	12.7%
Market risk	336,838	5.6%	359,092	6.2%
Operational risk	113,490	1.9%	85,960	1.5%
Credit risk banks	104,611	1.8%	110,661	1.9%
Credit risk sovereigns	94,290	1.6%	63,292	1.1%
Owned property risk	79,406	1.3%	62,199	1.1%
Credit risk retail customers	50,831	0.9%	61,779	1.1%
CVA risk	11,835	0.2%	13,422	0.2%
Risk buffer	284,400	4.8%	275,238	4.8%
Total	**5,972,406**	**100.0%**	**5,780,005**	**100.0%**

The economic capital increased year on year to € 5,972,406 thousand. For RBI AG, the participation risk is the most material risk type in terms of amount. The year-on-year increase was due to acquisitions such as Equa Bank in the Czech Republic. The operational risk included higher write-downs for foreign currency mortgage loans at the Polish subsidiary. The increase in the credit risk of sovereigns was due to higher exposure in this segment.

RBI AG uses a confidence level of 99.90 per cent to calculate economic capital. In compliance with the ICAAP Directive published by the European Central Bank, the additional tier 1 (AT1) has no longer been used to calculate the internal capital as of the end of 2021.

Economic capital is an important instrument in overall bank risk management and is used in allocating risk budgets. Economic capital limits are allocated to individual business areas during the annual budgeting process and are supplemented in day-to-day management by volume, sensitivity, and value-at-risk limits. At RBI AG, this is planned on a revolving basis for the upcoming three years and incorporates the future development of economic capital as well as available internal capital. Economic capital thus substantially influences plans for future lending activities and the overall limit for taking market risk.

Risk-adjusted performance measurement is also based on the indicator for economic capital. The profitability of a business unit is examined in relation to the amount of economic capital attributed to the unit in question (risk-adjusted profit in relation to risk-adjusted capital, RORAC), which yields a comparable performance indicator for all business units in the bank. That indicator is used in turn as a key figure in overall bank management and for future capital allocations to business units, and influences the remuneration paid to the Bank's executive management.

Normative perspective – stress scenarios

The analysis of the stress scenarios in the normative perspective of the ICAAP is intended to ensure that RBI AG has sufficiently high capital ratios at the end of the multi-year planning period, even in a severe macroeconomic downturn scenario. The analysis is based on a multi-year macroeconomic stress test where hypothetical market developments in a severe but realistic economic downturn scenario are simulated. The risk parameters considered include interest rates, foreign exchange rates and securities prices, as well as changes in default probabilities and rating migrations in the credit portfolio.

The integrated stress test focuses primarily on the capital ratios at the end of the multi-year observation period. These should not fall below a sustainable level, meaning that they should not require the bank to substantially increase capital or to significantly reduce its business activities. The current minimum amount of capital is therefore determined by the size of a potential economic downturn. The downturn scenario assumed incorporates recognition of the necessary loan loss provisions and potential pro-cyclical effects (which increase the minimum regulatory capital requirement) along with the impact of foreign exchange rate fluctuations and other valuation and earnings effects. Regulatory changes already known are taken into account for the planning period.

This perspective thus also complements traditional risk measurement methods based on the value-at-risk concept (which is in general based on historical data). Therefore, it can account for exceptional market situations that have not been observed in the past, and also permits estimation of the potential impact of such developments. The stress test also allows for analyzing risk concentrations (e.g. individual positions, industries, or geographical regions) and gives insight into profitability, liquidity situation, and solvency under extreme situations. Building on these analyses, RBI AG's risk management actively contributes to portfolio diversification, for example via limits for the total exposure to individual industry segments and countries and through ongoing updates to lending standards.

Credit risk

RBI AG's credit risk stems mainly from default risks that arise from business with retail and corporate customers, other banks and sovereign borrowers. It is by far the most important risk category for RBI AG, which is also indicated by internal and regulatory capital requirements. Credit risk is therefore analyzed and monitored both on an individual loan and customer basis as well as on a portfolio basis. Credit risk management and lending decisions are based on the respective credit risk policies, credit risk manuals, and the tools and processes which have been developed for this purpose. The internal control system for credit risks includes different types of monitoring measures, which are tightly integrated into the workflows to be monitored – from the customer's initial credit application, to the bank's credit approval, and finally to the repayment of the loan.

No lending transaction is performed in the non-retail segments before the limit application process has been completed. This process applies not only to new lending, but also to increases in existing limits, roll-overs, overdrafts, and to cases in which the borrower's risk profile is no longer the same as the profile that formed the basis for the original lending decision (e.g., with respect to the financial situation of the borrower, purpose or collateral). It also applies to the setting of counterparty limits in trading and new issuance operations, other credit limits, and to participations.

Credit decisions are made within the context of a competence authority hierarchy based on the size and type of the loan. Approval from the business and the credit risk management divisions is always required when making individual limit decisions or performing regular rating renewals. If the individual decision-making parties disagree, the potential transaction is decided upon by the next higher-ranking credit authority.

Credit exposure by asset classes (rating models):

in € thousand	31/12/2021	Percentage	31/12/2020	Percentage
Corporate customers	45,719,230	49.4%	40,472,591	44.2%
Project finance	2,496,218	2.7%	2,655,786	2.9%
Retail customers	2,754,480	3.0%	2,872,659	3.1%
Banks	19,633,025	21.2%	23,672,475	25.8%
Sovereigns	22,022,522	23.8%	21,992,897	24.0%
Total	**92,625,475**	**100.0%**	**91,666,407**	**100.0%**

Credit portfolio – Corporate customers

The internal rating models for corporate customers take into account qualitative parameters, various ratios from the statement of financial position, and profit ratios covering different aspects of customer creditworthiness for various industries and countries. In addition, the model for smaller corporates also includes an account behavior component.

The following table shows the total credit exposure according to internal corporate ratings (large corporates, mid-market and small corporates). For presentation purposes, the individual grades of the rating scale have been combined into nine main rating grades.

in € thousand		31/12/2021	Percentage	31/12/2020	Percentage
1	Minimal risk	1,888,161	4.1%	4,469,018	11.0%
2	Excellent credit standing	6,939,130	15.2%	6,456,269	16.0%
3	Very good credit standing	15,230,180	33.3%	10,444,097	25.8%
4	Good credit standing	11,030,885	24.1%	9,394,061	23.2%
5	Sound credit standing	6,244,939	13.7%	5,687,429	14.1%
6	Acceptable credit standing	2,203,174	4.8%	2,051,403	5.1%
7	Marginal credit standing	941,371	2.1%	889,451	2.2%
8	Weak credit standing/sub-standard	368,000	0.8%	269,780	0.7%
9	Very weak credit standing/doubtful	34,216	0.1%	61,920	0.2%
10	Default	723,717	1.6%	746,114	1.8%
NR	Not rated	115,458	0.3%	3,049	0.0%
Total		**45,719,230**	**100.0%**	**40,472,591**	**100.0%**

The total credit exposure for corporate customers increased € 5,246,639 thousand compared to year-end 2020 to € 45,719,230 thousand.

The increase for corporate customers was primarily due to the increase in credit and facility financing and to guarantees issued in Germany, Switzerland and Russia. The increase in rating grade 3 from € 10,444,097 thousand to € 15,230,180 thousand mainly resulted from increased credit and facility financing in Austria, Germany, Great Britain, Luxembourg, the Czech Republic and Poland. Guarantees issued also increased in Austria, Switzerland and Germany. Rating grade 4 increased € 1,636,824 thousand to € 11,030,885 thousand due to increased credit and facility financing in Germany, France and Switzerland. In addition, guarantees issued increased in China and Russia (partly due to rating improvements from rating grade 5). Rating grade 5 increased € 557,510 thousand to € 6,244,939 thousand, primarily due to increased credit financing in Germany, Luxembourg and Great Britain. These increases were partly offset by a € 2,580,857 thousand decline in rating grade 1 to € 1,888,161 thousand, which was mainly attributable to the change in the method of calculating credit exposure for derivatives as a result of the implementation of SA-CCR (standardized approach for measuring counterparty credit risk).

The rating model for project finance has five grades and takes both individual probabilities of default and available collateral into account. The breakdown of the bank's project finance exposure is shown in the table below:

in € thousand		31/12/2021	Percentage	31/12/2020	Percentage
6.1	Excellent project risk profile - very low risk	1,538,431	61.6%	1,799,207	67.7%
6.2	Good project risk profile - low risk	787,863	31.6%	667,938	25.2%
6.3	Acceptable project risk profile - average risk	24,866	1.0%	24,363	0.9%
6.4	Poor project risk profile - high risk	0	0.0%	0	0.0%
6.5	Default	145,057	5.8%	164,278	6.2%
NR	Not rated	0	0.0%	0	0.0%
Total		**2,496,218**	**100.0%**	**2,655,786**	**100.0%**

Credit exposure to loans reported under project financing showed a decline of € 159,568 thousand to € 2,496,218 thousand as at 31 December 2021. The increase in rating grade 6.2 resulted mainly from rating shifts of Austrian customers from rating grade

6.1. There was also an increase due to new financing in Germany, Italy and the Netherlands. The decline in rating grade 6.1 due to rating shifts was partly offset by an increase in project and facility financing in Germany.

Credit portfolio – Retail customers

Credit exposure to retail customers according to internal rating:

in € thousand		31/12/2021	Percentage	31/12/2020	Percentage
0.5	Minimal risk	1,682,426	61.1%	1,833,464	63.8%
1.0	Excellent credit standing	410,316	14.9%	366,603	12.8%
1.5	Very good credit standing	43,244	1.6%	45,912	1.6%
2.0	Good credit standing	90,153	3.3%	99,020	3.4%
2.5	Sound credit standing	52,978	1.9%	62,454	2.2%
3.0	Acceptable credit standing	72,113	2.6%	74,228	2.6%
3.5	Marginal credit standing	59,204	2.1%	59,930	2.1%
4.0	Weak credit standing/sub-standard	25,885	0.9%	27,898	1.0%
4.5	Very weak credit standing/doubtful	24,514	0.9%	26,221	0.9%
5.0	Default	168,795	6.1%	174,872	6.1%
NR	Not rated	124,852	4.5%	102,057	3.6%
Total		**2,754,480**	**100.0%**	**2,872,659**	**100.0%**

Credit portfolio – Banks

The following table shows the total credit exposure by internal rating for banks (excluding central banks). Due to the small number of customers (or observable defaults), the default probabilities of individual rating grades in this asset class are calculated based on a combination of internal and external data.

in € thousand		31/12/2021	Percentage	31/12/2020	Percentage
1	Minimal risk	2,679,589	13.6%	2,472,267	10.4%
2	Excellent credit standing	5,627,260	28.7%	7,124,754	30.1%
3	Very good credit standing	4,584,284	23.3%	5,695,396	24.1%
4	Good credit standing	5,747,135	29.3%	5,401,242	22.8%
5	Sound credit standing	407,077	2.1%	2,392,606	10.1%
6	Acceptable credit standing	357,298	1.8%	441,325	1.9%
7	Marginal credit standing	221,740	1.1%	133,504	0.6%
8	Weak credit standing/sub-standard	5,598	0.0%	7,503	0.0%
9	Very weak credit standing/doubtful	0	0.0%	730	0.0%
10	Default	2,935	0.0%	2,913	0.0%
NR	Not rated	109	0.0%	235	0.0%
Total		**19,633,025**	**100.0%**	**23,672,475**	**100.0%**

Total credit exposure to banks as at 31 December 2021 amounted to € 19,633,025 thousand, a decrease of € 4,039,450 thousand compared to year-end 2020, primarily due to the introduction of SA-CCR netting. In addition, the decline in rating grade 2 was attributable to rating downgrades of Bulgarian, Hungarian and Russian banks to rating grades 3 and 4. This decline was partly offset by new repo transactions in Germany and by rating improvements of Canadian banks from rating grade 4 to rating grade 2. Rating grade 3 declined € 1,111,112 thousand to € 4,584,284 thousand; in addition to the introduction of SA-CCR netting, this was also caused by lower money market transactions in Austria. This was partly offset by an increase in repo transactions and rating shifts. The largest decline was in rating grade 5 (down € 1,985,529 thousand) due to rating improvements of French and Italian banks to rating grade 4. The resulting increase in rating grade 4 was partly offset by rating improvements of German banks.

Credit portfolio – Sovereigns

Another asset class is formed by central governments, central banks, and regional municipalities as well as other public sector entities. The credit exposure to sovereigns includes local and regional governments. In the second quarter of 2021, a new sovereign rating model (approved by the ECB) was implemented, leading to a change in the rating distribution.

The table below provides a breakdown of the total credit exposure to sovereigns (including central banks) by internal rating:

in € thousand		31/12/2021	Percentage	31/12/2020[1]	Percentage
1	Excellent credit standing	18,416,848	83.6%	21,465,454	97.6%
2	Very good credit standing	2,275,271	10.3%	313,836	1.4%
3	Good credit standing	1,056,822	4.8%	187,016	0.9%
4	Sound credit standing	220,946	1.0%	0	0.0%
5	Average credit standing	6,496	0.0%	0	0.0%
6	Mediocre credit standing	5,261	0.0%	25,874	0.1%
7	Weak credit standing	40,878	0.2%	0	0.0%
8	Very weak credit standing	0	0.0%	716	0.0%
9	Doubtful/high default risk	0	0.0%	0	0.0%
10	Default	0	0.0%	0	0.0%
NR	Not rated	0	0.0%	0	0.0%
Total		**22,022,522**	**100.0%**	**21,992,897**	**100.0%**

1 A more granular rating scale (with 27 grades) was implemented for the sovereign rating model in May 2021. The prior period was adjusted for the new master scale (PD bands). The change in the rating distribution from the model adjustment occurred in the reporting period.

Credit exposure to sovereigns increased € 29,625 thousand to € 22,022,522 thousand compared to year-end 2020. The largest decline was reported in rating grade 1 (down € 3,048,607 thousand), mainly due to rating downgrades of German, French and Polish sovereign bonds. There was also a decline due to matured money market transactions and credit financing in Austria. The increase in rating grades 2 and 3 was primarily attributable to the rating shifts from rating grade 1. The rating of Ukraine declined from rating grade 6 to rating grade 7.

Credit portfolio management

RBI AG's credit portfolio is managed, among other factors, on the basis of the portfolio strategy. This limits the exposure to different countries, industries and product types to avoid undesired risk concentrations. In addition, the long-term opportunities in the single markets are regularly analyzed. This enables future lending activities to be strategically repositioned at an early stage.

RBI AG's credit portfolio is broadly diversified by region and sector. The geographical breakdown of the loans on and off the statement of financial position reflects the broad diversification of the credit business in the European markets. These loans are broken down by region according to the borrower's country of risk as follows (countries with credit exposure greater than € 1 billion are shown separately):

in € thousand	31/12/2021	Percentage	31/12/2020	Percentage
Austria	38,085,630	41.1%	40,026,287	43.7%
Germany	10,925,337	11.8%	9,549,819	10.4%
France	6,289,236	6.8%	5,356,586	5.8%
Great Britain	4,194,384	4.5%	7,776,480	8.5%
Poland	4,161,369	4.5%	3,953,098	4.3%
Switzerland	3,645,642	3.9%	2,255,559	2.5%
Spain	2,513,961	2.7%	2,314,915	2.5%
Luxembourg	2,323,548	2.5%	1,744,793	1.9%
Russia	1,990,993	2.1%	1,671,009	1.8%
Far East	1,847,500	2.0%	1,415,132	1.5%
Netherlands	1,621,759	1.8%	1,419,761	1.5%
Czech Republic	1,570,753	1.7%	1,396,989	1.5%
Italy	1,548,497	1.7%	1,131,494	1.2%
United States of America	1,143,874	1.2%	972,568	1.1%
Belgium	1,073,086	1.2%	1,151,311	1.3%
Others	9,689,905	10.5%	9,530,606	10.4%
Total	**92,625,475**	**100.0%**	**91,666,407**	**100.0%**

RBI AG's loan portfolio grew € 959,068 thousand to € 92,625,475 thousand. In Austria, the € 1,940,658 thousand decline to € 38,085,630 thousand mainly resulted from credit financing and from swap and money market transactions. Swap and money market transactions in Great Britain also declined € 3,582,096 thousand to € 4,194,384 thousand, primarily due to the implementation of the SA-CCR. Facility and credit financing in particular was responsible for the positive development in Germany. France reported a € 932,650 thousand increase primarily due to bonds and repo transactions. The € 1,390,083 thousand increase in Switzerland to € 3,645,642 thousand was primarily due to guarantees issued.

Risk policies and the assessment of credit ratings at RBI AG also take account of the borrowers' industries. Banking and insurance represent the largest industry class in the credit portfolio. However, this is largely attributable to exposures to members of the Austrian Raiffeisen Group. Sovereigns mainly includes securities of the Republic of Austria as issuer.

Credit exposure broken down by industry classification:

in € thousand	31/12/2021	Percentage	31/12/2020	Percentage
Financial Intermediation	38,629,795	41.7%	44,363,645	48.4%
Manufacturing	13,806,811	14.9%	11,321,466	12.4%
Wholesale and retail trade; repair of motor vehicles, motorcyles and personal and household goods	10,783,906	11.6%	8,781,057	9.6%
Real estate, renting and business activities	8,452,565	9.1%	7,125,252	7.8%
Public administration and defence, compulsory social security	6,844,129	7.4%	7,227,473	7.9%
Private households	2,623,383	2.8%	2,762,672	3.0%
Electricity, gas and water supply	2,107,620	2.3%	1,441,134	1.6%
Construction	1,547,661	1.7%	1,891,268	2.1%
Agriculture, hunting and forestry; fishing; mining and quarrying	1,412,126	1.5%	1,093,352	1.2%
Education; health and social work; other community, social and personal service activities	1,261,154	1.4%	1,002,482	1.1%
Transport, storage and communication	905,668	1.0%	1,012,269	1.1%
Others	4,250,656	4.6%	3,644,337	4.0%
Total	**92,625,475**	**100.0%**	**91,666,407**	**100.0%**

The detailed credit portfolio analysis shows the breakdown by rating grade. Customer rating assessments are performed separately for different asset classes using internal risk classification models (rating and scoring models), which are validated by a central organizational unit. The default probabilities assigned to individual rating grades are calculated separately for each asset class. However, the use of a master scale enables rating grades to be compared even across business segments. For retail asset classes, country-specific scorecards are developed based on uniform Group standards. Corresponding tools are used to produce and validate ratings (e.g. business valuation tools, rating and default databases).

Collateralization is one of the main strategies and an actively pursued measure for reducing potential credit risks. The value of collateral and the effects of other risk mitigation techniques are determined during the limit application process. The risk mitigation effect taken into account is the value that RBI AG expects to receive when it sells the collateral within a reasonable period. Types of eligible collateral are defined in the collateral list and relevant valuation guidelines. The collateral value is calculated according to uniform methods, including standardized calculation formulas based on market values, predefined minimum discounts, and expert assessments.

Credit default and workout process

The credit portfolio and individual borrowers are subject to constant monitoring. The main objectives of monitoring are to ensure that the borrower meets the terms and conditions of the contract and to keep track of the borrower's financial position. Such a review is conducted at least once annually in the non-retail asset classes (corporates, financial institutions, and sovereigns). This includes a rating review and the revaluation of financial and tangible collateral.

Problem loans (where debtors might run into material financial difficulties or a delayed payment is expected) need special treatment. In non-retail divisions, problem loan committees make decisions on problematic exposures. If restructuring is necessary, problem loans are assigned either to a designated specialist or to a restructuring unit (workout department). Involving employees of the workout departments at an early stage can help reduce losses from problem loans.

Credit default is assessed on the basis of quantitative and qualitative criteria. First, a borrower is considered to be in default if its contractual payments are more than 90 days overdue. Second, a borrower is considered to be in default if it meets the criteria of unlikely payment, which indicate that the customer is in significant financial difficulty and is unlikely to meet its payment obligations. A loan obligation is no longer classified as default if - after a period of at least three months (six months after a non-performing retail restructuring, and 12 months after a non-performing non-retail restructuring) – the customer has shown good payment discipline during this period and no further indications of a high probability of default have been identified.

Non-performing exposures pursuant to the applicable definition contained in the Implementing Technical Standard (ITS) on Supervisory Reporting (Forbearance and non-performing exposures) issued by the EBA:

	NPE		NPE ratio		NPE coverage ratio	
in € thousand	**31/12/2021**	**31/12/2020**	**31/12/2021**	**31/12/2020**	**31/12/2021**	**31/12/2020**
Banks	2,926	2,905	0.0%	0.0%	98.3%	72.6%
Other financial corporations	107,906	89,247	1.0%	1.0%	39.9%	37.5%
Non-financial corporations	664,544	659,263	3.5%	4.0%	62.2%	62.7%
Households	128,902	129,105	4.6%	4.5%	82.6%	82.5%
Loans and advances	**904,278**	**880,520**	**1.6%**	**1.6%**	**62.5%**	**63.1%**
Bonds	**0**	**10,322**	**0.0%**	**0.1%**	**-**	**-**
Total	**904,278**	**890,842**	**1.4%**	**1.4%**	**62.5%**	**62.3%**

The following table shows the development of impairment losses on loans and provisions for liabilities off the statement of financial position during the financial year and the corresponding asset classes:

in € thousand	As at 1/1/2021	Allocation	Release[2]	Usage[1]	Reclassifications, exchange differences[3]	As at 31/12/2021
Individual loan loss provisions	**809,380**	**163,716**	**(127,361)**	**(46,034)**	**37,642**	**837,343**
Banks	2,111	634	(1)	6	128	2,879
Corporate customers	692,341	139,374	(109,452)	(37,813)	36,756	721,206
Retail customers	106,399	22,656	(15,219)	(8,226)	748	106,357
Sovereigns	0					0
Off-balance sheet obligations	8,530	1,051	(2,689)		9	6,902
Portfolio-based loan loss provisions	**228,953**	**309,365**	**(263,306)**	**142**	**(3,184)**	**271,970**
Banks	285	545	(605)		(4)	221
Corporate customers	142,979	208,674	(177,890)	(336)	(5,322)	168,106
Retail customers	58,615	32,017	(23,062)	478	2,016	70,064
Sovereigns	1,458	399	(1,619)			238
Off-balance sheet obligations	25,616	67,730	(60,131)		126	33,341
Total	**1,038,333**	**473,081**	**(390,667)**	**(45,892)**	**34,458**	**1,109,313**

1 This contains unwinding interest income from impaired customers and changes in internal interest exemptions
2 This contains changes in internal interest exemptions
3 This contains reclassifications of provisions and changes in customer categories

Country risk

Country risk includes transfer and convertibility risks as well as political risk and macroeconomic risk in a broader sense, which arises from cross-border transactions in foreign countries. Activities in core markets are given particular attention in this respect.

As part of an established approach across all RBI Group units, RBI AG's active country-risk management is ensured based on the country risk policy, which is set regularly and approved by the Management Board. This policy is part of the credit portfolio limit system and sets a strict limitation on cross-border risk exposure to individual countries. At the same time, the policy is designed to incentivize risk-taking within the RBI Group's core markets. The limit levels for individual countries are established using an internal model based on pillars such as the RBI Group's own capitalization, the internal sovereign rating, and the size and dynamics of the country and its banking sector.

Country risk is also reflected through the internal funds transfer pricing system in product pricing and in risk-adjusted performance measurement. In this way, the bank offers the business units an incentive to hedge country risks (e.g. by seeking insurance with export credit insurance organizations or guarantors in third countries). The insights gained from the country risk analysis are not only used to limit total cross-border exposure, but also to manage the total credit exposure in each individual country (i.e. including the exposure that is funded by local deposits). RBI AG thus aligns its business activities with the expected economic development in different markets and enhances the broad diversification of its credit portfolio.

Counterparty credit risk

The default of a counterparty in a derivative, repurchase, securities lending, or borrowing transaction can lead to losses from reestablishing an equivalent contract. At RBI AG this risk is measured by the mark-to-market approach where a predefined add-on is added to the current positive fair value of the contract in order to account for potential future changes. For internal management purposes potential price changes, which affect the fair value of an instrument, are calculated specifically for different contract types based on historical market price changes.

For derivative contracts the standard limit approval process applies, where the same risk classification, limitation, and monitoring process is used as for traditional lending. Credit risk mitigation instruments such as netting agreements and collateralization represent an important strategy for reducing counterparty credit risk. In general, RBI AG strives to establish standardized ISDA master agreements with all major counterparties for derivative transactions in order to be able to perform close-out netting and credit support annexes (CSA) for full risk coverage for positive fair values on a daily basis.

Participation risk

The risks from listed and unlisted participations are also considered to be part of the banking book. They are reported separately under this risk category. Most of RBI AG's direct or indirect participations are fully consolidated in the consolidated financial statements and their risks are therefore captured in detail. Accordingly, the management, measurement and monitoring methods described for the other types of risk are used for the risks arising out of such participations.

The roots of participation risk and default risk are similar: a deterioration in the financial situation of a participation is normally followed by a rating downgrade (or default) of that unit. The calculation of the economic capital for participations is based on an extension of the credit risk approach according to Basel III.

RBI AG's participations are managed by RBI Group Subsidiaries & Equity Investments. It monitors the risks that arise from long-term participations in equity and is also responsible for the ensuing results. New investments are made only by RBI AG's Management Board on the basis of a separate due diligence.

Market risk

RBI AG defines market risk as the risk of possible losses arising from changes in market prices of trading and banking book positions. Market risk estimates are based on changes in exchange rates, interest rates, credit spreads, equity and commodity prices and other relevant market parameters (e.g. implied volatilities).

Market risks from the customer divisions are transferred to the Treasury division using the transfer price method. Treasury is responsible for managing structural market risks and for complying with the bank's overall limit. The Capital Markets division is responsible for proprietary trading, market making, and customer business in money market and capital market products.

During the COVID-19 crisis, the following measures were taken in 2020 by market risk management in order to counter the crisis. Market trends and position changes for RBI AG were monitored more intensely. In addition, trends on local markets were updated daily and risk management was actively controlled to be able to respond quickly to changes. The aim was to adapt limits to the risk appetite, close positions where necessary, build up liquidity buffers where market conditions were more favorable, and adapt models to local and global measures (moratoriums) where necessary.

Organization of market risk management

RBI AG measures, monitors, and manages all market risks for the bank as a whole.

The Market Risk Committee is responsible for strategic market risk management issues. It is responsible for managing and controlling all market risks. The bank's overall limit is set by the Management Board on the basis of the risk-taking capacity and income budget. This limit is apportioned to sub-limits in coordination with business divisions according to strategy, business model and risk appetite.

The Market Risk Management department ensures that the business volume and product range comply with the defined and agreed strategy and risk appetite. It is responsible for developing and enhancing risk management processes, manuals, measurement techniques, risk management infrastructure and systems for all market risk categories and credit risks arising from market price changes in derivative transactions. Furthermore, Market Risk Management independently measures and reports all market risks on a daily basis.

All products in which open positions can be held are listed in the product catalog. New products are added to this list only after successfully completing the product approval process. Product applications are investigated thoroughly for any risks. They are approved only if the new products can be implemented in the bank's front- and back-office and risk management systems.

Limit system

RBI AG uses a comprehensive risk management approach for both the trading and the banking books (total-return approach). Market risk is therefore managed consistently in all trading and banking books. The following indicators are measured and limited on a daily basis in the market risk management system:

- Value-at-Risk (VaR) confidence level 99 per cent
  Value-at-Risk is the main market risk steering instrument in liquid markets and normal market situations. Two different methods of calculation are used, depending on the steering approach. The consistency between P&L and risk figures is in parallel necessary with the economic scope of RBI AG in order to ensure comprehensive control. For the overall portfolio including the banking book, a model is used that is based on a historical simulation and which is suitable for longer-term steering of the market risks from the banking books (ALL model, confidence level 99 per cent, risk horizon 20 days). The calculation is based on overlapping 20-day returns of the last seven years and is also used for allocating economic capital. For all market risks with a direct impact on the income statement, a model is used that provides a good forecast of short-term volatility (IFRS P&L model, confidence level 99 per cent, risk horizon 1 day). The Austrian Financial Market Authority has approved this approach as an internal model for calculating the total capital requirement for market risks for RBI AG's trading book. Both models calculate value-at-risk indicators for changes in the risk factors foreign currencies, interest rate trend, credit spreads, implicit volatility, stock indices and basis spreads.
- Sensitivities (to changes in exchange rates and interest rates, gamma, vega, equity and commodity prices)
  Sensitivity limits are to ensure that concentrations are avoided in normal market situations and are the main steering instrument under extreme market situations and in illiquid markets or in markets that are structurally difficult to measure.
- Stop loss
  Stop loss limits serve to strengthen the discipline of traders such that they do not allow losses to accumulate on their own proprietary positions but strictly limit them instead.

A comprehensive stress testing concept complements this multi-level limit system. It simulates potential present value changes of defined scenarios for the total portfolio. The results on market risk concentrations shown by these stress tests are reported to the Market Risk Committee and taken into account when setting limits. Stress test reports for individual portfolios are included in daily market risk reporting.

Value-at-Risk (VaR)

The following tables show the VaR (VaR ALL 99 per cent, 20 days and VaR IFRS P&L 99 per cent, one day) for the individual market risk categories in the trading book and the banking book. Structural equity positions, structural interest rate risks and spread risks from bond books maintained as a liquidity buffer dominate RBI AG's VaR. Due to the introduction of these two VaR calculation methods, it is not possible to make a direct comparison with year-end 2020.

Model IFRS-P&L trading book VaR (99%, 1d) in € thousand	**VaR as of 31/12/2021**	**Average VaR**	**Maximum VaR**	**Minimum VaR**
Currency risk	4,209	4,774	10,805	1,911
Interest rate risk	1,578	1,898	2,861	898
Credit spread risk	1,670	1,720	3,658	762
Vega risk	137	270	616	110
Basis risk	533	414	974	248
Total	5,734	5,977	11,806	2,964

Model IFRS-P&L total VaR (99%, 1d) in € thousand	**VaR as of 31/12/2021**	**Average VaR**	**Maximum VaR**	**Minimum VaR**
Currency risk	4,130	4,565	10,454	1,640
Interest rate risk	721	1,685	3,105	565
Credit spread risk	2,644	2,364	3,914	1,305
Vega risk	474	266	573	89
Basis risk	832	682	1,416	404
Total	6,482	6,404	12,106	3,134

Model ALL banking book VaR (99%, 20d) in € thousand	**VaR as of 31/12/2021**	**Average VaR**	**Maximum VaR**	**Minimum VaR**
Currency risk	164	220	341	138
Interest rate risk	14,222	12,897	30,020	798
Credit spread risk	33,740	28,206	53,049	6,039
Vega risk	3,675	3,355	11,387	238
Basis risk	2,021	1,457	3,894	597
Total	56,910	58,438	77,770	25,607

Model ALL total VaR (99%, 20d) in € thousand	VaR as of 31/12/2021	Average VaR	Maximum VaR	Minimum VaR
Currency risk	4,165	4,710	10,870	1,857
Interest rate risk	15,567	14,548	31,655	1,653
Credit spread risk	34,353	28,873	53,735	6,380
Vega risk	3,742	3,529	11,793	251
Basis risk	2,132	1,547	3,509	684
Total	71,163	75,787	97,921	40,753

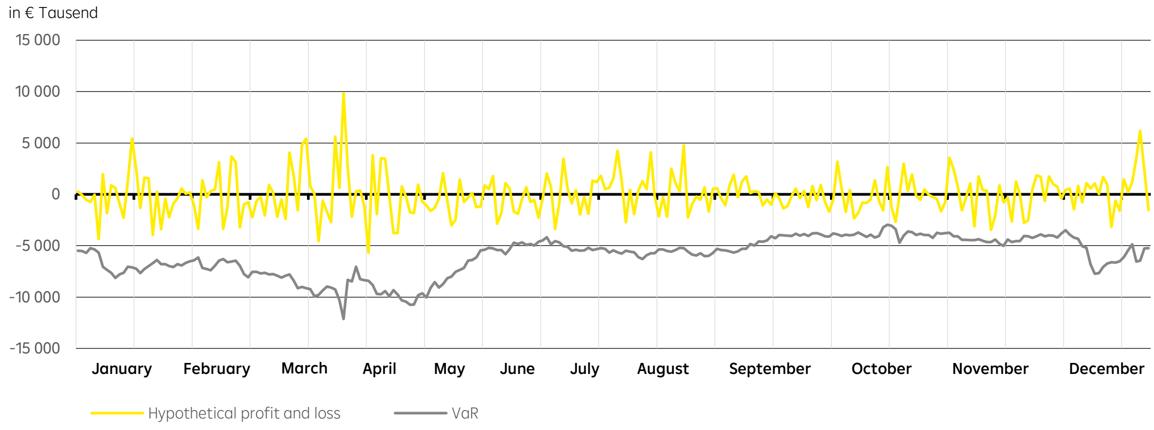
Trading book VaR (99% 1d) in € thousand	VaR as of 31/12/2020	Average VaR	Maximum VaR	Minimum VaR
Currency risk	4,789	3,276	8,144	244
Interest rate risk	1,312	2,109	5,078	1,003
Credit spread risk	1,590	1,251	3,252	428
Vega risk	127	302	1,099	122
Basis risk	297	443	1,195	172
Total	5,188	4,653	10,979	1,195

Banking book VaR (99% 1d) in € thousand	VaR as of 31/12/2020	Average VaR	Maximum VaR	Minimum VaR
Currency risk	174	42	308	0
Interest rate risk	10,743	15,480	47,759	6,253
Credit spread risk	33,896	20,812	55,120	9,038
Vega risk	2,207	3,435	8,264	2,012
Basis risk	914	1,361	4,291	661
Total	30,021	24,291	59,483	12,244

Total VaR (99% 1d) in € thousand	VaR as of 31/12/2020	Average VaR	Maximum VaR	Minimum VaR
Currency risk	4,728	3,267	8,144	246
Interest rate risk	12,047	17,302	51,202	7,210
Credit spread risk	34,983	21,357	58,075	9,432
Vega risk	2,317	3,673	9,309	2,144
Basis risk	1,031	1,463	4,323	805
Total	30,347	25,371	62,725	12,858

Besides qualitative analysis of profitability, backtesting and statistical validation techniques are regularly used to monitor the risk measurement methods employed. If model weaknesses are identified, the methods are adjusted. The following chart compares VaR with the hypothetical profits and losses for RBI AG's regulatory trading book on a daily basis. VaR denotes the maximum loss that will not be exceeded with a 99 per cent confidence level within a day. The respective hypothetical profit or loss represents that which would have been realized due to changes in the actual market movements on the next day. Last year there were no hypothetical backtesting violations.

Value-at-Risk and theoretical market price changes of trading book



Interest rate risk in the trading book

The following table shows the largest present value changes in the trading book given a parallel one-basis-point interest rate increase (significant currencies shown separately). The trading book strategy remains largely unchanged.

31/12/2021 in € thousand	Total	< 3 m	> 3 to 6 months	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	17	21	(4)	(2)	(1)	0	3	(1)	(1)	1	0	0
CNY	5	0	0	5	0	0	0	0	0	0	0	0
CZK	12	(7)	19	(8)	0	14	9	(6)	(7)	(1)	0	0
EUR	(184)	(11)	(4)	(7)	7	(16)	(15)	(41)	47	(20)	(25)	(99)
GBP	1	1	1	(1)	(2)	2	0	0	0	0	0	0
HRK	(1)	0	0	0	0	1	(2)	0	0	0	0	0
HUF	2	(2)	3	0	3	(2)	(1)	(2)	3	0	0	0
NOK	1	0	0	0	1	0	0	0	0	0	0	0
PLN	(1)	(2)	(9)	4	4	(1)	(1)	0	4	0	0	0
RON	0	0	(1)	0	(3)	2	3	1	(3)	0	0	0
RUB	(3)	2	0	3	(2)	0	(2)	(3)	(1)	0	0	0
USD	(23)	(4)	0	(1)	0	0	14	(19)	0	(3)	(4)	(6)
Others	(7)	1	(5)	6	(7)	0	(7)	71	(42)	24	28	105

31/12/2020 in € thousand	Total	< 3 m	> 3 to 6 months	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	1	0	(1)	2	(2)	(1)	3	(1)	0	1	0	0
CNY	4	0	0	4	0	0	0	0	0	0	0	0
CZK	5	(3)	1	11	5	(2)	2	(3)	(7)	0	0	0
EUR	(260)	2	(7)	1	(8)	(21)	(6)	(23)	(39)	(54)	(42)	(63)
GBP	0	0	0	0	0	(1)	2	0	0	0	0	0
HRK	1	0	1	0	0	0	1	0	0	0	0	0
HUF	2	5	(3)	(1)	(3)	8	(2)	(4)	4	0	0	0
NOK	0	0	0	0	(1)	1	0	0	0	0	0	0
PLN	7	(6)	(1)	(2)	6	4	(11)	14	4	0	0	0
RON	(3)	1	1	0	0	(2)	6	(8)	0	0	0	0
RUB	3	2	3	0	3	(1)	(1)	(1)	0	0	0	0
USD	(13)	1	(7)	11	(13)	8	1	(16)	41	(69)	36	(7)
Others	(18)	0	0	(1)	(3)	(2)	(1)	(1)	(3)	(7)	0	0

Interest rate risk in the banking book

Different maturities and repricing schedules of assets and the corresponding liabilities (i.e. deposits and financing from money markets and capital markets) cause interest rate risk in RBI AG. This risk arises in particular from different interest rate sensitivities, rate adjustments, and other optionality of expected cash flows. Interest rate risk in the banking book is material for the euro and US dollar as major currencies.

This risk is mainly hedged by a combination of transactions on and off the statement of financial position where in particular interest rate swaps and – to a smaller extent – also interest rate forwards and interest rate options are used. Management of the statement of financial position is a core task of the Treasury division, which is supported by the Group Asset/Liability Committee. The latter uses scenarios and interest income simulations that ensure proper interest rate sensitivity in line with expected changes in market rates and the overall risk appetite.

Interest rate risk in the banking book is not only measured in a value-at-risk framework but also managed by the traditional tools of nominal and interest rate gap analyses. The following table shows the change in the present value of the banking book given a one-basis-point parallel interest rate increase. The main currencies are shown separately.

31/12/2021 in € thousand	Total	< 3 m	> 3 to 6 months	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	(128)	(55)	(1)	(4)	(10)	(7)	(8)	(7)	(17)	(11)	(5)	(2)
CNY	(3)	0	(1)	(2)	0	0	0	0	0	0	0	0
CZK	(14)	3	0	(1)	0	(13)	(6)	5	(3)	0	0	0
EUR	(2478)	110	(14)	(236)	(517)	(436)	(618)	(412)	(343)	41	(43)	(9)
GBP	(24)	(3)	(1)	0	0	(1)	(16)	(2)	0	0	0	0
HUF	1	1	(2)	0	1	1	1	0	0	0	0	0
PLN	(11)	(1)	(6)	1	0	(1)	(3)	0	0	0	0	0
SGD	0	0	0	0	0	0	0	0	0	0	0	0
USD	(126)	9	(17)	1	4	(4)	(22)	(20)	(19)	(41)	(17)	0
Others	(13)	(1)	(1)	0	0	0	0	0	(1)	(4)	(5)	(1)

31/12/2020 in € thousand	Total	< 3 m	> 3 to 6 months	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	(195)	(40)	(1)	2	(8)	(16)	(21)	(9)	(29)	(36)	(28)	(10)
CNY	(3)	0	(1)	(2)	0	0	0	0	0	0	0	0
CZK	0	1	(1)	0	(1)	2	1	0	(3)	0	0	0
EUR	(2593)	83	18	(112)	(580)	(465)	(781)	(333)	(317)	(96)	(45)	35
GBP	(32)	1	(1)	(1)	(13)	(5)	(5)	(8)	0	0	0	0
HUF	5	1	(2)	0	(1)	1	4	1	0	0	0	0
PLN	(21)	0	(1)	2	(8)	(5)	(7)	(2)	0	0	0	0
SGD	1	0	0	1	0	0	0	0	0	0	0	0
USD	(110)	10	(8)	18	27	(17)	(34)	(18)	(23)	(47)	(18)	0
Others	(18)	0	(2)	2	(3)	(1)	(1)	(1)	(1)	(3)	(5)	(2)

Credit spread risk

The market risk management framework uses time-dependent bond and CDS-spread curves as risk factors in order to measure credit spread risks. It captures all capital market instruments in the trading and banking book.

Liquidity management

Principles

Internal liquidity management is an important business process within general bank management, because it ensures the continuous availability of funds required to cover day-to-day demands.

Liquidity adequacy is ensured from both an economic and a regulatory perspective. In order to approach the economic perspective RBI AG established a governance framework comprising internal limits and steering measures which complies with the Principles for Sound Liquidity Risk Management and Supervision set out by the Basel Committee on Banking Supervision and the Kreditinstitute-Risikomanagement-Verordnung (KI-RMV) issued by the Austrian regulatory authority.

The regulatory component is addressed by compliance with reporting requirements under Basel III (Liquidity Coverage Ratio, Net Stable Funding Ratio and Additional Liquidity Monitoring Metrics) as well as by complying with the regulatory limits.

Organization and responsibility

Responsibility for ensuring adequate levels of liquidity lies with the overall Management Board. The board members with functional responsibility are the Chief Financial Officer (Treasury) and the Chief Risk Officer (Risk Controlling). Accordingly, the processes regarding liquidity risk are essentially run by two areas within the bank: Firstly the Treasury unit, which takes on liquidity risk positions within the strategy, guidelines and parameters set by the responsible decision-making bodies. Secondly, they are monitored and supported by the independent Risk Controlling unit, which measures and models liquidity risk positions, sets limits and supervises compliance with them.

Besides the responsible units in the line functions, the Asset/Liability Management Committee (ALCO) acts as the decision-making body with respect to all matters affecting the management of the liquidity position and statement-of-financial-position structure of RBI AG, including the definition of strategies and policies for managing liquidity risks. The ALCO takes decisions and provides standard reports on liquidity risk to the respective Management Boards at least on a monthly basis.

Liquidity strategy

Treasury units are committed to achieving KPIs and to complying with risk-based principles. The current set of KPIs includes general targets (e.g. for return on risk-adjusted capital (RORAC) or coverage ratios), as well as specific Treasury targets for liquidity such as a minimum survival period in defined stress scenarios or minimum liquidity targets in regulatory indicators. While generating an adequate structural income from maturity transformation which reflects the liquidity and market risk positions taken by the bank, Treasury has to follow a prudent and sustainable risk policy when steering the balance sheet. Strategic goals comprise a reduction in parent funding within the group, the sustainable management of the depositor base and of credit growth as well as continuous compliance with regulatory requirements and the internal limit framework.

Liquidity Risk Framework

Regulatory and internal liquidity reports and ratios are generated and determined based on particular modelling assumptions. Whereas the regulatory reports are calculated on specifications given by authorities, the internal reports are modelled with assumptions from empirical observations.

RBI AG has a substantial database along with expertise in forecasting cash flows arising from all material on- and off-balance sheet positions. The modelling of liquidity inflows and outflows is carried out on a sufficient granular level, differentiating between product and customer segments, and, where applicable, currencies as well. Modelling of customer deposits includes assumptions concerning the retention times for deposits after maturity. The model assumptions are quite prudent, e.g. there is a "no rollover" assumption on funding from banks and all funding channels and the liquidity buffer are stressed simultaneously.

The cornerstones of the economic liquidity risk framework are the Going Concern (GC) and the Time to Wall (TTW) scenario. The Going Concern report shows the structural liquidity position. It covers all main risk drivers which could detrimentally affect RBI AG in a business-as-usual scenario. The Going Concern models are important input factors for the liquidity contribution to the internal funds transfer pricing model. On the other hand, the Time to Wall report shows the survival horizon for defined adverse scenarios and stress models (market, reputational and combined crisis) and determines the minimum level of the liquidity buffer (and/or the counter-balancing capacity) for each Group unit.

The liquidity scenarios are modelled using a Group-wide approach which considers local specifics where warranted due to influencing factors such as the market or the legal environment or certain business characteristics. When modelling cash inflows and outflows a distinction is at minimum made between products, customer segments and individual currencies (where applicable). For products without a contractual maturity, the distribution of cash inflows and outflows is calculated using a geometric Brownian motion which derives statistical forecasts for future daily balances from the observed, exponentially weighted historical volatility of the corresponding products.

The liquidity risk framework is continuously developed. The technical infrastructure is enhanced in numerous projects and data availability is improved in order to meet the new reporting and management requirements for this area of risk.

Risk appetite and liquidity limits

The liquidity position is monitored at the level of RBI AG and at the level of its branches and is restricted by means of a comprehensive limit system. Limits are defined both under a business-as-usual as well as under a stress perspective. In accordance with the defined risk appetite, each unit must demonstrate a survival horizon of several months (TTW) in a severe, combined stress scenario (reputational and market stress). This can be ensured either by a structurally positive liquidity profile or by a sufficiently high liquidity buffer. In a normal going-concern environment (GC), maturity transformation must be fully covered by the available liquidity buffer in the medium term. This means that the cumulative liquidity position over a period of up to one year must be positive. In the long term (one year or more), maturity transformation is permitted up to a certain level. For internal models, these limits are supplemented by limits for compliance with regulatory liquidity ratios, such as the liquidity coverage ratio (LCR). All limits must be complied with on a daily basis.

Liquidity monitoring

The bank uses a range of customized measurement tools and early warning indicators that provide board members and senior management with timely and forward-looking information. The limit framework ensures that the bank can continue to operate in a period of severe stress.

Monitoring of limits and reporting limit compliance is performed regularly and effectively. Any breach by Group units is reported to the Group ALCO and escalated. In such cases, appropriate steps are undertaken in consultation with the relevant unit or contentious matters are escalated to the next highest responsible body.

Liquidity stress test

Stress tests are conducted for RBI AG on a daily basis on Group level. The tests cover three scenarios (market, reputational and combined crisis), consider the effects of the scenarios for a period of several months and demonstrate that stress events can simultaneously result in a time-critical liquidity requirement in several currencies. The stress scenarios include the principal funding and market liquidity risks; all units of RBI AG are simultaneously subject to a severe combined crisis for all their major products. The results of the stress tests are reported to the Management Board and other members of management on a weekly basis; they also form a key component of the monthly ALCO meetings and are included in the bank's strategic planning and contingency planning.

A conservative approach is adopted when establishing outflow ratios based on historical data and expert opinions. The simulations assume a lack of access to the money or capital markets and simultaneously significant outflows of customer deposits. In this respect, the deposit concentration risk is also considered by assigning higher outflow ratios to large customers. Furthermore, stress assumptions are formulated for the drawdown of guarantees and credit obligations. In addition, the liquidity buffer positions are adapted by haircuts in order to cover the risk of disadvantageous market movements, and the potential outflows resulting from collateralized derivative transactions are estimated. The bank continuously monitors whether the stress assumptions are still appropriate or whether new risks need to be considered.

The time to wall concept has established itself as the main control instrument for day-to-day liquidity management and is therefore a central component of funding planning and budgeting. It is also fundamental to determining performance ratios relating to liquidity.

Liquidity buffer

As shown by the daily liquidity risk reports, the main Group units actively maintain and manage liquidity buffers, including high-quality liquid assets (HQLA) which are always sufficient to cover the net outflows expected in crisis scenarios. RBI AG has sizeable, unencumbered and liquid securities portfolios and favors securities eligible for Central Bank tender transactions in order to ensure sufficient liquidity in various currencies. The main Group units ensure the availability of liquidity buffers, test their ability to utilize central bank funds, constantly evaluate their collateral positions as regards their market value and encumbrance and examine the remaining counterbalancing capacity, including the funding potential and the salability of the assets.

Generally, a haircut is applied to all liquidity buffer positions. In the stressed liquidity report (time-to-wall), these haircuts include a market-risk specific haircut and a central bank haircut. While the market risk haircut represents the potential price volatility of the securities held as assets as part of the liquidity buffer, the central bank haircut represents an additional haircut for each individual relevant security that may be offered as collateral.

Intraday liquidity management

In compliance with regulatory requirements for intraday liquidity risk management, the available liquidity is calculated daily on the basis of the outflow assumptions of the regular liquidity stress report (time-to-wall) for RBI AG. In case of limit breaches, the intraday contingency and escalation process is triggered.

Contingency funding plan

Under difficult liquidity conditions, the units switch to a contingency process in which they follow predefined liquidity contingency plans. These contingency plans also constitute an element of the liquidity management framework and are mandatory for all significant Group units and thus also for RBI AG. The emergency management process is designed so that the Group can retain a strong liquidity position even in serious crisis situations.

Liability structure and liquidity position

Funding is founded on a strong deposit base. Funding requirements are regularly updated to take account of balance sheet developments and to ensure that liquidity ratios are maintained in accordance with management requirements. The ability to procure funds is precisely monitored and evaluated by Treasury.

In the past year and to date, RBI AG's excess liquidity was significantly above all regulatory and internal limits (with a few exceptions in the area of internal sub-limits). The result of the internal time to wall stress test demonstrates that RBI AG would survive throughout the modelled stress phase of several months even without applying contingency measures.

The results of the going-concern scenario are shown in the following table. It illustrates excess liquidity and the ratio of expected cash inflows plus the counterbalancing capacity to cash outflows (liquidity ratio) for selected maturities on a cumulative basis. Based on assumptions employing expert opinions, statistical analyses and country specifics, this calculation also incorporates estimates of the stability of the customer deposit base, outflows from off-balance sheet items and downward market movements in relation to positions which influence the liquidity counterbalancing capacity.

in € thousand	31/12/2021		31/12/2020	
Maturity	1 month	1 year	1 month	1 year
Liquidity gap	5,043,923	6,506,536	6,088,703	6,217,694
Liquidity ratio	112%	108%	113%	108%

Liquidity coverage ratio

The liquidity coverage ratio (LCR) requires the short-term resilience of banks by ensuring that they have an adequate stock of unencumbered high-quality liquid assets (HQLA) to meet potential liability run offs that might occur in a crisis, which can be converted into cash to meet the liquidity needs for a minimum of 30 calendar days in a liquidity stress scenario.

The calculation of the expected cash inflows and outflows of funds and the HQLAs is based on regulatory guidelines.

The regulatory limit for the LCR is 100 per cent.

in € thousand	31/12/2021	31/12/2020
Average liquid assets	**20,935,411**	**22,108,501**
Net outflows	**15,877,268**	**15,304,534**
Inflows	8,458,309	8,228,337
Outflows	24,335,578	23,532,871
Liquidity Coverage Ratio	**132%**	**144%**

Secured capital market transactions led to an increase in inflows, whereas the increase in outflows was primarily attributable to operating, short-term deposits.

Net Stable Funding Ratio (NSFR)

The NSFR is defined as the ratio of available stable funding to required stable funding. The new regulatory requirements came into force on 28 June 2021 and the regulatory limit of 100 percent must be complied with. Available stable funding is defined as that portion of equity and debt which is expected to be a reliable source of funds over the time horizon of one year covered by the NSFR. A bank's required stable funding depends on the liquidity characteristics and residual maturities of the various assets held and of off-balance sheet positions.

RBI AG targets a balanced funding position.

in € thousand	31/12/2021	31/12/2020
Required stable funding	42,705,800	41,098,187
Available stable funding	47,721,266	44,379,784
Net Stable Funding Ratio	**112%**	**108%**

During the COVID-19 crisis a stable liquidity situation was observed within RBI AG. The crisis confirmed RBI AG's strong liquidity position and its ability to respond quickly in the event of a lack of market-sensitive refinancing sources. Generally, the ILAAP framework and governance proved sound and effective.

Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. In this risk category internal risk drivers such as unauthorized activities, fraud or theft, conduct-related losses, modelling errors, execution and process errors, or business disruption and system failures are managed. External factors such as damage to physical assets or fraud are managed and controlled as well.

This risk category is analyzed and managed based on RBI AG's own historical loss data and the results of risk assessment.

As with other risk types the principle of firewalling of risk management and risk controlling is also applied to operational risk at RBI AG. To this end, individuals are designated and trained as Operational Risk Managers for each division. Operational Risk Managers provide central Operational Risk Controlling with reports on risk assessments, loss events, indicators and measures. They are supported in their work by Dedicated Operational Risk Specialists (DORS).

Operational risk controlling units are responsible for reporting, implementing the framework, developing control measures and monitoring compliance with requirements. Within the framework of the annual risk management cycle, they also coordinate the participation of the relevant second line of defense departments (Financial Crime Management, Compliance, Vendor Management, Outsourcing Management, Insurance Management, Information Security, Physical Security, BCM, Internal Control System, IT Risk Management) and all first line of defense contacts (Operational Risk Managers).

In 2021, statutory requirements meant that no costs for COVID-19 (such as sanitary facilities for disinfection, additional cleaning costs, expansion of the infrastructure) were included in loss data in the same way as in 2020.

Risk identification

Identifying and evaluating risks that might endanger the bank's existence (but the occurrence of which is highly improbable) and areas where losses are more likely to arise more frequently (but have only limited impact) are important aspects of operational risk management.

Operational risk assessment is executed in a structured manner according to risk categories such as business processes and event types. Moreover, risk assessment applies to new products as well. The impact of high probability/low impact events and low probability/high impact events is measured over a one-year and a ten-year horizon. Low probability/high impact events are quantified on the basis of scenarios. The internal risk profile, losses arising and external changes determine which cases are dealt with in detail.

Monitoring

In order to monitor operational risks, early warning indicators are used that allow prompt identification and minimization of losses.

Loss data is collected in a central database called ORCA (Operational Risk Controlling Application) in a structured manner according to the event type and the business line. In addition to the requirements for internal and external reporting, information on loss events is exchanged with international data pools to further develop operational risk management tools as well as to track measures and control effectiveness. Since 2010, RBI AG has been a participant in the ORX data pool (Operational Risk Data Exchange Association), whose data are currently used for internal benchmark purposes and analyses and as part of the operational risk model. The ORX data consortium is an association of banks and insurance groups for statistical purposes. The results of the analyses as well as events resulting from operational risks are reported in a comprehensive manner to the relevant Operational Risk Management Committee on a regular basis.

Quantification and mitigation

Since October 2016, RBI AG has calculated the equity requirement using the Advanced Measurement Approach (AMA).

The Advanced Measurement Approach is based on an internal model with the input factors from the external and internal loss events and the Group-wide scenarios. Risk-based management is carried out with the allocation on the basis of the input factors of the corresponding units and operating income for stabilization. The implementation of these high qualitative standards has already been rolled out in broad sections of the Group.

To reduce operational risk, business managers decide on preventive risk reduction actions such as risk mitigation or risk transfer. The progress and effectiveness of these actions is monitored by Risk Control. The former also define contingency plans and nominate responsible persons or departments for initiating the defined actions if losses in fact occur. In addition, several dedicated organizational units provide support to business units for preventing operational risks. An important role in connection with operational risk activities is taken on by Financial Crime Management. Financial Crime Management provides support for the prevention and identification of fraud. RBI AG also organizes regular extensive staff training programs and has a range of contingency plans and back-up systems in place.

Loss data per category of operational risk for RBI AG is distributed across the Basel risk categories as follows:

in € thousand	31/12/2021	Percentage	31/12/2020	Percentage
Clients, Products and Business Practices	289,956	99.3%	50,204	92.3%
External Fraud	1,372	0.5%	2,138	3.9%
Excecution, Delivery and Process Management	741	0.3%	685	1.3%
Technology and Infrastructure Failures	5	0.0%	1,019	1.9%
Disasters and Public Safety	0	0.0%	314	0.6%
Employment Practices and Workplace Safety	0	0.0%	5	0.0%
Total	**292,074**	**100.0%**	**54,366**	**100.0%**

Number of OpRisk events	31/12/2021	Percentage	31/12/2020	Percentage
Clients, Products and Business Practices	102	2.2%	186	2.2%
External Fraud	4,344	94.6%	7,601	89.8%
Excecution, Delivery and Process Management	141	3.1%	136	1.6%
Technology and Infrastructure Failures	4	0.1%	43	0.5%
Disasters and Public Safety	0	0.0%	499	5.9%
Employment Practices and Workplace Safety	0	0.0%	2	0.0%
Total	**4,591**	**100.0%**	**8,467**	**100.0%**

Internal control and risk management system with regard to the accounting process

Introduction

The establishment and definition of a suitable internal control and risk management system with regard to the accounting process is extremely significant for RBI AG. The annual financial statements of RBI AG are prepared in the Finance Services Banking and the Finance Services Transactions departments, which belong to the CFO area under the CEO. The foreign branches deliver financial statements to head office and they themselves are responsible for preparing the financial statements.

The annual financial statements are prepared on the basis of the relevant Austrian laws, above all the Austrian Banking Act (BWG) and the Austrian Commercial Code (UGB), which deal with the preparation of annual financial statements.

RBI AG's general ledger is maintained in SAP S4 HANA. The GEBOS core banking system fulfills important sub-ledger functions such as credit and deposit processing, and clearing, settlement and payment services. Other sub-ledgers exist in addition to GEBOS, including in particular:

- Wall Street Systems and Murex (Treasury transactions)
- GEOS und GEOS Nostro (securities settlement and nostro securities management)
- Clearing, settlement and payment services
- Trade finance (guarantees and letters of credit)
- UBIX (stock exchange traded securities derivatives)
- ARTS/SE4 (Repo and lending business)
- SAP sub-ledgers (accounts receivable/accounts payable/fixed asset accounting)
- FineVare (loan loss provisioning)

The accounting process can be described as follows:

- Day-to-day accounting
  Day-to-day accounting records of business transactions are mainly posted to the respective integrated subledgers. The relevant accounting data is directly and automatically transferred to the general ledger. In addition, individual postings are recorded directly in the SAP general ledger.
  The SAP general ledger has multi-GAAP functionality, meaning two equivalent general ledgers are maintained in parallel: one in accordance with UGB/BWG reporting standards and also a parallel ledger in accordance with IFRS. An operational chart of accounts exists for both of the general ledgers; depending on the respective content, all postings are effected either in both general ledgers simultaneously or only in one of the two. The parallelism of the entries and existence of the two parallel general ledgers removes the need for reconciliation from UGB/BWG to IFRS.
- Individual financial statements for RBI head office in accordance with UGB/BWG and IFRS
  The SAP trial balance in accordance with UGB/BWG or IFRS results from the posting data of the respective subsystems of the banking operations which is delivered via automated interfaces. In addition, supplementary ledger-specific closing entries are made directly in SAP. These are independent of the respective subsystems. The sum of all these entries gives the statement of financial position and the income statement pursuant to UGB/BWG or IFRS.
- Individual financial statements of RBI AG
  In a final step, the financial statements of RBI AG in accordance with UGB/BWG are produced. These include head office and also the branches. Both the branch data and also the closing data of head office are conveyed by automated transfer from SAP or in some cases by direct input into the IBM Cognos Controller consolidation system. The data are consolidated in this system, on the basis of which RBI AG's individual financial statements are prepared.

Control environment

In general, all Group-internal instructions can be retrieved from the Group Internal Law Database. With regard to accounting, mention should be made above all of the Group Accounts Manual, which contains a description of the following points in particular:

- General accounting rules
- Measurement methods
- Required (quantitative) information in the notes
- Accounting rules for special transactions

Further guidelines relate solely to RBI AG or only deal with functions within departments. The Corporate Directive Accounting Guidelines for example apply to the accounting system. These deal with the instruction process for the settlement of purchase invoices, cost refunds and the management of clearing accounts.

Risk assessment

The assessment of the risk of incorrect financial reporting is based on various criteria. Valuations of complex financial instruments may lead to an increased risk of error. In addition, asset and liability items have to be valued for the preparation of the annual financial statements; in particular the assessment of the impairment of receivables, securities and participations, which are based on estimates of future developments, gives rise to a risk.

Control measures

The control measures encompass a wide range of reconciliation processes, notably the reconciliation between the general ledger in SAP and the sub-ledgers. Besides the four eyes principle, automation-aided controls and monitoring instruments dependent on risk levels are used, such as the reconciliation between accounting and balance sheet risk management. The duties assigned to individual positions are documented and updated on an ongoing basis. Particular emphasis is placed on effective deputizing arrangements to ensure that deadlines are not missed due to the absence of one person. The controls in the core processes are important for the financial statements process. These primarily involve measurement-related processes whose results have a significant influence on the financial statements (e.g. loan loss provisioning, derivatives, equity participations, personnel provisions, market risk).

The Audit Committee of the Supervisory Board considers and approves the annual financial statements and the management report. They are published in the Wiener Zeitung and finally filed with the commercial register.

The COVID-19 pandemic and associated lockdowns and partial physical absence (home office) had no impact on the internal control system.

Information and communication

Information on the accounting treatment of the respective products is regularly exchanged with the specialist departments. For example, regular monthly meetings take place with the Capital Markets and Treasury departments, in which among other topics accounting for complex products is addressed. The Accounting team is also represented at regularly scheduled jour-fixe meetings during the product launch process in order to provide information on the technical aspects of accounting and their implications for product launches. Regular department events ensure that employees receive ongoing training on changes to accounting rules under UGB, BWG and IFRS.

As part of the reporting process, the Management Board receives monthly and quarterly reports analyzing the results of RBI AG. The Supervisory Board is also regularly informed about the results at its meetings.

External reports are for the most part prepared only for the consolidated results of RBI AG. The reporting cycle is quarterly: besides the consolidated financial statements, a semi-annual financial report and interim quarterly reports for the Group are published. In addition, reports have to be regularly provided to the banking supervisory authority.

Monitoring

Financial reporting is an important part of the ICS, in which the accounting processes are subject to additional monitoring and control, the results of which are presented to the Management Board and Supervisory Board. The Audit Committee is also responsible for monitoring the accounting process. The Management Board is responsible for ongoing company-wide monitoring. In accordance with the target operating model, three successive lines of defense are established to meet the increased requirements for internal control systems.

The first line of defense is formed by the individual departments, where department heads are responsible for monitoring their business areas. Controls and plausibility checks are conducted on a regular basis within the departments, in accordance with the documented processes.

The second line of defense is provided by issue-specific specialist areas. These include, for example, Compliance, Data Quality Governance, Operational Risk Controlling or Security & Business Continuity Management. Their primary aim is to support the individual departments when carrying out control steps, to validate the actual controls and to introduce state-of-the-art practices within the organization.

Internal audits are the third line of defense in the monitoring process. Responsibility for auditing lies with Group Internal Audit at RBI. All internal auditing activities are subject to the Group Audit standards, which are based on the Austrian Financial Market Authority's minimum internal auditing requirements and international best practices. Group Audit's internal rules are additionally applicable (notably the Audit Charter). Group Audit regularly and independently verifies compliance with the internal rules within the RBI Group units. The head of Group Internal Audit reports directly to the Management Board.

Outlook

Economic outlook

The restrictions that were reintroduced in several countries towards the end of 2021, in order to curb infection rates, turned out to be less stringent and more temporary than those in the winter of the previous year. The interplay between lockdowns and the easing of measures should not have the same economic impact in 2022, as was seen in 2020 and 2021, even if renewed restrictions in the winter of 2022/2023 cannot be ruled out. The supply bottlenecks impacting the industrial sector are expected to ease over the course of 2022. Monthly inflation rates are expected to have already peaked or to do so at the beginning of 2022, so long as the geopolitical risks in Eastern Europe do not materialize. In this case, inflation rates are expected to fall over the course of 2022, though to remain at levels that are sometimes noticeably higher than in prior years. In the event of a possible military escalation of the conflict between Russia and Ukraine, the imposition of sanctions poses the greatest short-term risk to the economy and inflation. In a worst-case scenario, extensive (financial) sanctions being imposed on Russia without a transition period, a global systemic impact on financial and commodity markets is to be expected with tangible effects in the euro area, in particular, and more so in Central and Eastern Europe. The non-delivery or curtailing of oil and gas deliveries from Russia could be difficult to compensate for in the short term. Resulting production losses and reductions in growth from yet another significant hike in price increases for energy products and/or industrial metals could bring Europe at least close to a stagflation scenario. Disruptions in the supply of important industrial metals would further exacerbate the global industrial supply chain problems. The impact on individual European countries will depend on the scope of their bilateral trade relations with Russia, especially the level of their dependence on Russian energy imports.

Central Europe

The economies of the Central Europe (CE) region are expected to continue expanding dynamically again in 2022. Among other things, strong wage growth is expected to support a further significant increase in private consumption. However, the tightening of monetary policy and the impact of inflation on private consumption harbor downside risks. The region as a whole is expected to see GDP growth of 4.3 per cent in 2022, with Hungary and Slovenia leading the way (in each case 4.5 per cent) and the Czech Republic bringing up the rear (4.1 per cent). The outcome of the Hungarian elections could overshadow the partnership with the EU in the coming years and further increase tensions. The vaccination cover in the region is at a lower level than in Western Europe and so pandemic risks are considered somewhat greater, even with a certain reluctance to impose restrictions. The economic impact of extensive (financial) sanctions would be more pronounced in CE than in the euro area due to its closer trade ties with Russia as well as greater reliance on Russian energy imports.

Southeastern Europe

The economic recovery in the Southeastern Europe (SEE) region is expected to continue at a solid pace in 2022. Key factors are private consumption, which should receive support from overseas remittances as well as from pent-up demand due to the pandemic. Investment (*inter alia* NGEU) is also expected to play a key role. The highest growth in 2022 is expected in Romania and Kosovo, both at 4.7 per cent. Vaccination coverage rates are again lower than in the CE region, resulting in higher pandemic risks, though governments have so far shown very little willingness to take restrictive measures. The economic impact of extensive (financial) sanctions would be more pronounced in SEE than in the euro area due to its closer trade ties with Russia as well as greater reliance on Russian energy imports.

Eastern Europe

Significantly lower GDP growth is forecasted for the Eastern Europe (EE) region in 2022, than the year prior, assuming the absence of an increase or escalation of geopolitical tensions, and partly reflects the lesser impact of the pandemic but also monetary policy measures in the region. In Russia, the slowdown in economic growth is also attributed to the substantial reduction in fiscal support. In Belarus, the sanctions imposed by the EU and the US are expected to have a greater impact on the economy in 2022 than in 2021. In Ukraine, on the other hand, growth is expected to accelerate due to the inflow of external funds from the IMF and the EU. Nevertheless, geopolitical tensions and potential losses from the Nord Stream 2 project pose risks to the Ukrainian economy. In view of the current potential escalation of the conflict between Russia and Ukraine, the effects on the economic outlook and financial system may be manifold and would largely depend on the future development of the conflict and scale of sanctions which could be imposed in such a risk scenario. Furthermore, the escalation of the conflict has the potential to pull Ukraine into a deep recession, while the Russian economy (despite being more resistant than in 2014 and certain relief provided by probable oil price increases in connection with exports possibly being redirected) would probably also fall into recession in face of extensive sanctions.

Austria

The back-and-forth between lockdowns and the easing of restrictions should no longer be an economic determinant in Austria from the second quarter. It is therefore assumed that economic trends will be less volatile in 2022, than was the case in the two years prior. Nevertheless, economic momentum is likely to remain above average. Considerable momentum is expected from the continuing decline in the savings rate, the good situation in the labor market, wage increases, as well as from private consumption. The encouraging investment trend is also expected to continue. GDP is expected to grow 4.5 per cent in 2022, though a military escalation of the conflict between Russia and Ukraine poses a downside risk to the economy.

Banking sector in Austria

The profitability of Austrian banks could weaken as government support measures expire amid the still persistent pressure from the low interest rate environment. Corporate lending could slow as corporate liquidity needs are declining, and banks are beginning to tighten their lending standards. In contrast, persistently favorable lending conditions should ensure continued strong demand for mortgage loans from private households, which may trigger action by regulators. The outlook for risk costs continues to be weighed down by the large inventory of Stage 2 loans (around 25 percent for corporations). On a positive note, the solid capital position of Austrian banks provides an additional buffer, even for in the event of a stress scenario. The potential increase of pressures from sanctions on Russia bears risks to the profitability of Austrian banks through indirect economic effects, however also as a result of the profit contributions from CESEE subsidiaries (38 per cent of consolidated profit of Austrian banks in the first half of 2021). The Austrian banking sector belongs to the three EU banking sectors with the most ties to Russia.

CEE banking sector

Despite pandemic risks, the overall outlook for CEE banks in 2022 is positive, so long as there is no escalation of the sanctions against Russia issue . Although some moderation in bank profitability is warranted (slowdown in economic recovery, reduction in policy incentives), the trend towards normalization of economic activity should continue to support the banks' lending and transaction revenues. Higher interest rates are also positive for net interest margins in CE/SEE. At the same time, the expiration of loan repayment moratoriums could lead to insolvencies among borrowers, which would put moderate pressure on NPE ratios and risk costs. On a positive note, the capitalization ratios of banks in the region remain solid and the liquidity situation comfortable. Credit and economic cycles are expected to become more aligned in the medium term. Nevertheless, selected EU countries are expected to receive additional support for lending growth from the Next Generation EU program (especially Romania, Croatia, and Bulgaria). The potential escalation of the Russia-Ukraine conflict bears risk of new substantial sanctions against Russia, which – if imposed – could have a strong impact on both the Russian economy (directly) and on the broader CEE banking market (indirectly through economic developments). This therefore poses a downside risk to the performance of the CEE banking market in 2022. The Russian banking market remains the third largest banking market for Western banks in CEE (after Poland and the Czech Republic, and before Slovakia and Romania).

Outlook for RBI AG

The outlook continues to assume a low interest rate environment with negative interest rates in EUR, our main working currency. In USD, we expect a slight increase in interest rates from 2022 onward, with a more pronounced increase in subsequent years. For 2022, we are expecting strong economic growth of 4 per cent in the euro area and even stronger growth of 5 per cent in Austria. Beginning in 2023, we expect the economy to level out. Furthermore, we are forecasting stable oil prices and a slight decline in the price of other raw materials such as steel in 2022.

We expect net interest income to remain stable. Continued growth in customer lending volumes at stable margins should offset the higher COVID-19 bonus recorded in 2021, as it is expected to decline in subsequent years. Net fee and commission income for products and services is expected to show moderate growth, supported by the anticipated recovery in markets. In terms of operating expenses, we are planning for an inflation-driven increase in staff expenses and a moderate increase in other administrative expenses.

The positive economic climate is projected to keep loan loss provisions stable in 2022. We believe sanctions risks for Ukraine and Russia have been adequately provisioned and do not expect the situation to give rise to additional charges.

Due to the current uncertainty surrounding foreign currency loans in Poland, the amount of provisions to cover them is susceptible to significant fluctuation depending on the number of new lawsuits and the outcome of court decisions. The integration of RCB's certificates and trading business is planned to take place from the second half of 2022 until the end of the year. It is not included in the earnings or cost outlook of RBI AG as its integration path has yet to be finalized in detail.

Statement of the board of Management

pursuant to Art. 82 (4) Z3 Austrian Stoch Exchange Act

We confirm to the best of our knowledge that the financial statement give a true and fair view of the assets, liabilities, financial positions and profit or loss of the company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, 15 February 2022

The Management Board

Johann Strobl

Chief Executive Officer responsible for Group Marketing, Active Credit Management, Group ESG & Sustainability Management, Legal Services, Chairman's Office, Group Communications, Group Executive Office, Group People & Organisational Innovation, Group Internal Audit, Group Investor Relations, Group Financial Reporting & Steering, Group Finance Task Force, Group Finance Services, Group Subsidiaries & Equity Investments, Group Tax Management, Group Treasury, Sector Marketing sowie Group Strategy

Andreas Gschwenter

Member of the Management Board responsible for Group Core IT, Group Data, Group Efficiency Management, Group IT Delivery, Group Procurement, Outsourcing & Real Estate Management, Group Security, Resilience & Portfolio Governance, Customer Data Services sowie Head Office Operations

Łukasz Januszewski

Member of the Management Board responsible for Group Asset Management (via RCM), Group Capital Markets Corporates & Retail Sales, Group Capital Markets Trading & Institutional Sales, Group Investment Banking, Group Investor Services, Group MIB Business Management & IC Experience, Institutional Clients sowie Raiffeisen Research

Peter Lennkh

Member of the Management Board responsible for Corporate Customers, Corporate Finance, Group Corporate Business Strategy & Steering, International Leasing Steering & Product Management sowie Trade Finance & Transaction Banking

Hannes Mösenbacher

Member of the Management Board responsible for Financial Institutions, Country & Portfolio Risk Management, Group Advanced Analytics, Group Compliance, Group Corporate Credit Management, Group Regulatory Affairs & Data Governance, Group Risk Controlling, Group Special Exposures Management, International Retail Risk Management, RCB Retail Risk Management sowie Sector Risk Controlling Services

Andrii Stepanenko

Member of the Management Board responsible for International Premium & Private Banking, International Retail Customer Success & Monetization, International Retail Lending, International Digital Business & Omnichannel Experience, Digital Bank, International Retail Payments sowie International Small Business Banking & CX

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Raiffeisen Bank International AG, Vienna, which comprise the statement of financial position as at December 31, 2021, the income statement, and the notes to the financial statements.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of December 31, 2021, and of its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and the Austrian Banking Act.

Basis for Opinion

We conducted our audit in accordance with the Regulation (EU) No. 537/2014 and the Austrian Generally Accepted Auditing Standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with laws and regulations applicable in Austria and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of our opinion is sufficient and appropriate to provide a basis for our opinion at this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have identified the following key audit matters:

1. Recoverability of loans and advances to customers
2. Recoverability of shares in affiliated undertakings
3. Adequacy of provision for foreign currency loans in the branch in Poland

1. Recoverability of loans and advances to customers

Description and Issue

Loans and advances to customers are reported with an amount of EUR 31,8 billion after deduction of valuation allowances. They mostly are loans and advances to Austrian and international non-financial corporations and to a lower extent retail customers in the Polish branch.

The Management Board describes the process for monitoring credit risk and the procedure for determining credit losses in the section "Recognition and Measurement Principles" of the notes to the financial statements and in the "Credit Risk" section of the Risk Report in the Management Report.

Calculations of credit losses for defaulted loans to corporates are based on the expected recoveries. These are determined by the assessment of the economic situation and development of the respective customer, the valuation of collateral, and the estimate of the amount and timing of the recoveries derived from these.

Specific loan loss provisions for retail customers in the branch in Poland and expected credit losses for loans and advances for which no impairment events have been identified are based on models with statistical assumptions such as rating-based probability of default, which are used to estimate the expected credit loss. The Bank uses the methods of IFRS 9 to determine expected credit losses (12 months expected credit loss or, in the case of a significant increase in credit risk since initial recognition – lifetime expected credit loss).

The risk provisioning determined in this way is supplemented by "post model adjustments". Post model adjustments and other adjustments are made as an interim solution when the input parameters, assumptions and modeling do not cover all relevant risk factors. The main adjustments are made for the consequences of the COVID 19 crisis as well as geopolitical risks and sanction risks.

The calculation of the expected credit losses on loans and advances to customers is an estimate that is based on assumptions about future developments to a considerable extent. The expected credit loss depends on the selection of the data, the key assumptions, statistical and mathematical models and the correct execution of the calculation steps. We have therefore identified the recoverability of loans to customers as a key audit matter.

Our response

In testing expected credit losses for loans and advances to customers, we performed the following significant audit procedures:

- We assessed the methodologies used to determine expected credit losses and their compliance with the Austrian Generally Accepted Accounting Principles and those of the Banking Act.

- We analyzed the documentation of the processes of monitoring loans and risk provisioning, and critically assessed whether these processes are suitable for identifying loan losses and adequately reflecting the recoverability of exposures. We also assessed the processes and tested key controls regarding their design and implementation, including the relevant IT systems, and tested their effectiveness on a sample basis.

- By performing analytical audit procedures, we examined changes of loans and advances in terms of quality, type of care, rating and level allocation compared with the previous year.

- We tested individual exposures selected on the basis of a sample determined according to risk criteria: For defaulted loans, we assessed the Bank's estimates of the amount and timing of recoveries, taking into account collateral, and examined whether the assumptions used in the calculation were appropriate and derivable from internal or external evidence. For non-defaulted loans, we examined whether indicators of default exist.

- In order to assess the appropriateness of the expected credit losses for non-defaulted loans, we examined the plausibility of assumptions and the statistical/mathematical appropriateness of the models used, as well as the proper application of the models, with the assistance of specialists. In particular, we examined the assumptions in connection with forward-looking information and post-model adjustments and adjustments for other risk factors. Furthermore, we examined the appropriateness of the assumptions "probability of default", "loss given default" and the level allocation model, taking into account the results of the bank's internal validations, and reperformed selected calculation steps. In addition, internal IT specialists tested the effectiveness of key automated controls of the IT systems relevant for the calculation.

- Finally, we assessed whether the disclosures in the notes to the financial statements regarding the calculation of expected credit losses and the significant assumptions and estimation uncertainties are appropriate.

2. Recoverability of shares in affiliated undertakings

Description and Issue

Shares in affiliated undertakings represent a significant balance sheet item at Raiffeisen Bank International AG with a total amount of approximately EUR 10.7 billion. The Bank holds interests, mostly through holding companies, in particular in domestic and foreign credit institutions as well as in finance and project companies.

The Management Board describes the management process and the procedures for impairment testing for shares in affiliated undertakings in the section "Recognition and Measurement Principles" in the notes as well as in the section "Participation risk" of the Risk Report in the management report.

The Bank reviews whether there are triggers for permanent impairments or whether a reversal of a previous impairment, limited to the original cost, is required.

Internal and external valuations are used to determine the fair value. The valuations are primarily based on assumptions and estimates regarding future business development with resulting returns to owners, especially in the form of dividends. These are based on the budgeted figures approved by the corporate bodies of the respective companies. The discount factors used are derived from the financial and capital markets. The parameter used in these calculations are based on assumptions that are subject to a high degree of uncertainty.

Minor changes in these assumptions or in the discount rate calculated may lead to significantly different results. Due to the sensitivity of the valuation results and the high degree of discretion in the assumptions, we have identified the valuation of shares of affiliated undertakings as a key audit matter.

Our response

In auditing the valuation of shares in affiliated undertakings, we performed the following key audit procedures:

- We analyzed the documentation of the processes for monitoring and valuation of shares in affiliated undertakings and critically assessed whether these processes are suitable for identifying necessary impairments or reversals of impairments and appropriately reflecting the recoverability of the shares. We also reviewed the key controls with regard to their design and implementation.

- We reviewed the valuation models used, the key planning assumptions and the valuation parameters with the involvement of our valuation specialists. This included the understanding of the valuation models used and assessing whether they are suitable for determining the enterprise value in a correct manner. We evaluated the planning and valuation parameters used in the models based on external market data and historical data. We assessed the appropriateness of the interest rate parameters by comparing them with market- and industry-specific benchmarks and compared the cash flows used in the valuation model with the approved plans. The mathematical correctness of the valuations was verified on a sample basis and the valuation was checked for plausibility in our own developed valuation model.

- Finally, we assessed whether the disclosures in the notes to the financial statements on the determination of the impairment of shares in affiliated undertakings are appropriate.

3. Adequacy of provision for foreign currency loans in the branch in Poland

Description and Issue

As of December 31, 2021, the Bank has recorded a provision in connection with foreign currency loans in the branch in Poland in the amount of EUR 364 million.

The Management Board describes the legal risk, the procedure for determining the provision and related uncertainties in the chapter "Litigation risk provision for foreign currency loans in Poland" of the notes to the financial statements.

Due to the numerous open legal questions, the lack of clear answers by the competent courts, including the supreme courts, and the necessary assumptions about the future behavior of borrowers and former borrowers, there are considerable estimation uncertainties and scope for judgement in determining the amount of the provision, which is why we have determined the adequacy of the provision for foreign currency loans of the branch in Poland to be a key audit matter.

Our Response

In particular, we performed the following audit procedures in testing the adequacy of the provision:

- We assessed the Bank's processes and controls for determining the provision, including the key controls applied, and their suitability for ensuring the determination of an appropriate provision.
- We verified the plausibility and critically assessed the Bank's method for determining the provision, including the derivation of the underlying assumptions and their appropriateness.
- We verified the mathematical accuracy of the Bank's calculations.
- We obtained information on the pending lawsuits from the lawyers involved, critically assessed this information, and reconciled the list of lawsuits in the lawyers' letters with the bank's data on a sample basis.
- We have reviewed the current Polish case law with regard to foreign currency loans and have assessed its consideration for the calculation of the provision.
- We reviewed the disclosure of the risks in the notes to the financial statements for appropriateness.

Other Matter – Previous year's financial statements

The financial statements of the Company as of December 31, 2020 were audited by another auditor who expressed an unqualified opinion on these financial statements on February 26, 2021.

Other Information

The legal representatives are responsible for the other information. The other information comprises all information in the annual financial report, with the exception of the consolidated financial statements, the group management report, the annual financial statements, the management report and the related auditor's reports. The annual financial report is expected to be available to us after the date of the auditor's report.

Our audit opinion on the financial statements does not cover this other information, and we will not express any form of assurance conclusion thereon. With regard to the information in the management report, we refer to the section "Report on the management report".

In connection with our audit of the financial statements, our responsibility is to read the other information mentioned above, when it becomes available, and assess whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears misleading.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view of the financial position of the Company as of December 31, 2021, and of its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and the Austrian Banking Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with EU rules and Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Regulation (EU) 537/2014 and with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that give a true and fair view.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Management Report

Pursuant to Austrian Commercial Code, the management report is to be audited as to whether it is consistent with the financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with laws and regulations applicable with respect to the management report.

Opinion

In our opinion, the management report attached is prepared in accordance with the applicable legal requirements, the disclosures pursuant to section 243a UGB are appropriate, and it is consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and due to the thus obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Additional Information in Accordance with Article 10 of EU Regulation (EU) 537/2014

We were elected as auditor of the Company at the annual general shareholders' meeting on 20 October 2020 for the fiscal year ending on 31 December 2021 and mandated by the chairman of the Supervisory Board on 9 December 2020. Furthermore, we were elected as auditor at the annual general shareholders' meeting on 22 April 2021 for the subsequent fiscal year and mandated by the chairman of the Supervisory Board on 16 August 2021. We are the auditor of the Company since the financial year ending December 31, 2021.

We confirm that the audit opinion in the section "Report on the Financial Statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent from the Company in conducting the audit.

Engagement Partner

The engagement partner responsible for the audit is Peter Bitzyk.

Vienna

21 February 2022

Deloitte Audit Wirtschaftsprüfungs GmbH

(signed by:)

Peter Bitzyk

Certified Public Accountant

Publication or sharing with third parties of the financial statements together with our auditors' opinion is only allowed if the financial statements and the management report are identical with the audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 para 2 UGB applies to alternated versions.

This translation is for convenience purposes only.
Only the German original is legally valid and binding